



Subject: Agenda for the 82nd meeting of the AUASB
Venue: TEQSA Executive Boardroom
Level 14, 530 Collins St, Melbourne
Time: Tuesday, 14 June 2016 from 10.00 a.m. to 5.00 p.m.

Time	Agenda Item No.
10.00 a.m.	1. Preliminary Session* (closed session, Agenda 1 only)
10.45 a.m.	2. Minutes of Previous AUASB Meeting
10.50 a.m.	3. Matters Arising from Previous Meetings and Action List
11.00 a.m.	4. Auditor Reporting – Special Purpose Reports— ED ASAs 800/805 and ED 810
11.45 a.m.	5. Auditor Reporting – Outstanding matters
12.30 p.m.	Lunch
1.30 p.m.	6. Presentation by CPA Australia
2.30 p.m.	7. ASAE 3100 <i>Compliance Engagements</i>
3.15 p.m.	Break
3.30 p.m.	8. International
4.30 p.m.	9. Other Matters
5.00 p.m.	Close

* Closed session

Note: the running order and time allocated to agenda items is subject to change prior to and during the course of the meeting.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **1(b)**

Meeting Date: 14 June 2016

Subject: AUASB Declarations of Interest

Date: 1 June 2016

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

To note any declarations of interest raised by AUASB members.

Background

It is recommended that the AUASB members note the declaration of interests and provide the AUASB Executive Assistant with details of any amendments that may be needed to the register.

Material Presented

Agenda Item 1(b) Board Meeting Summary Paper

Agenda Item 1(b).1 Declaration of Interests as at 14 June 2016

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 2

Meeting Date: 14 June 2016

Subject: Minutes of previous AUASB Meeting

Date: 30 May 2016

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

To approve the minutes of the meeting of the AUASB held on 18 April 2016.

Matters to Consider

Attached for your consideration, are the minutes of AUASB Meeting 18 April 2016

AUASB Technical Group Recommendations

Approve the attached minutes.

Material Presented

Agenda Item 2 Board Meeting Summary Paper

Agenda Item 2.1 Draft minutes of AUASB Meeting 18 April 2016

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve minutes of AUASB Meeting on 18 April 2016		AUASB	14 June 2016	

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AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **3**

Meeting Date: 14 June 2016

Subject: Matters Arising from Previous Meetings and Action List

Date: 30 May 2016

☐ **Action Required**

☒ **For Information Purposes Only**

Agenda Item Objectives

To inform the Board on the status of matters in progress.

Matters to Consider

Attached is a list of action matters from previous meetings.

Material Presented

Agenda Item 3 Board Meeting Summary Paper

Agenda Item 3.1 Matters Arising from Previous Meetings and Action List

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AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 4(a)
Meeting Date: 14 June 2016
Subject: EDs ASA 800 and 805
Date Prepared: 25 May 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To consider and approve for issue, exposure drafts for revised EDs ASA 800 and 805.

Background

The IAASB issued the final revised ISA 800 and ISA 805 standards in January 2016. At the 22 February 2016 AUASB meeting, the AUASB agreed to several Australian specific amendments to the ISAs to be incorporated into draft Australian exposure drafts. The amendments all passed the compelling reasons test as presented to the AUASB at the 22 February 2016 meeting and incorporated within the issues paper. For reference purposes, a copy of the issues paper is included at Agenda Item 4(a).1.

At the **18 April 2016** AUASB meeting, the AUASB discussed EDs ASA 800 and 805 and agreed:

ED ASA 800:

- To delete Illustration 3 of ISA 800 from ASA 800. Illustration 3 is an auditor's report on a complete set of financial report of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework). The AUASB agreed that such a situation would be rare, if ever in the Australian context.
- To revisit paragraph AUS 6.1 on the basis that non-corporations act financial reports do not require an assertion statement.

ED ASA 805:

- To retain Illustration 3 of ISA 805 (an auditor's report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework), however to Australianise the example, make the example for a non-listed entity; and to rename as [Aus] Illustration 3A.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Matters to Consider

Part A – General

ED ASA 800:

- The AUASB to note the footnote now included within paragraph AUS 6.1.
- The AUASB is asked to consider and approve for issue the draft ED ASA 800.

ED ASA 805:

- The AUASB is asked to consider and approve for issue the draft ED ASA 805.

Part B – NZAuASB

The AUASB has liaised with the NZAuASB who have raised no particular issues on these ISAs.

Part C – “Compelling Reasons” Assessment

Considered at the 22 February 2016 AUASB meeting with no issues noted.

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

AUASB Technical Group Recommendations

Approval to issue Australian Exposure drafts for EDs ASA 800 and 805.

Material Presented

Agenda Item 4(a)	AUASB Board Meeting Summary Paper
Agenda Item 4(a).1	ASA 800 and ASA 805 Issues Paper (carried forward from previous meeting)
Agenda Item 4(a).2	Exposure Draft ASA 800 (Marked Up Version)
Agenda Item 4(a).3	Exposure Draft ASA 800 (Clean Version)
Agenda Item 4(a).4	Exposure Draft ASA 805 (Marked Up Version)
Agenda Item 4(a).5	Exposure Draft ASA 805 (Clean Version)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the Exposure Drafts for EDs ASA 800 and 805	Approval	AUASB	14 June 2016	o/s

ASA 800 and ASA 805 – identification of matters for the AUASB to consider

ASA 800 SPFR	Extract	Initial Suggestion	Disposition
Aus 6.1	Special purpose financial report means a complete set of financial statements, including an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework.	Retain. The use of SPFRs has a long-standing significance in Australia, including use for purposes of the Act and other legislative/regulatory requirements (e.g. ACNC). “Special purpose financial report” is not defined anywhere other than in this Standard. Delete ISA paragraphs 6(a) and 7. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of this paragraph.
Aus A1.1	Extant: The <i>Corporations Act 2001</i>,* Australian Accounting Standards,# other applicable law or regulation, or specific users of the financial report, may determine if a financial report is required to be prepared. Australian Accounting Standards provide the applicable financial reporting framework for determining if the entity is a “reporting entity”† or a “non-reporting entity” and consequently if the financial report is required to be general purpose or special purpose. For “reporting entities” preparing a financial report under the <i>Corporations Act 2001</i>, the applicable framework is general purpose. For “non-reporting entities” preparing a financial report under the <i>Corporations Act 2001</i>, the applicable framework may be general purpose or special purpose. Replace with: The <i>Corporations Act 2001</i>,* Australian Accounting Standards,# other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the <i>Corporations Act 2001</i>, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101	Retain inserted Aus Para but update. The use of SPFRs has a long-standing significance in Australia. The guidance brings together, and therefore clarifies, what can be confusing in view of the terminology used and the different financial reporting frameworks. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention and update of this paragraph.

* See ASA 200, paragraph Aus 13.1.
 * See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.
 # See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.
 † See, for example, *Glossary of Defined Terms* (June 2009) or Statement of Accounting Concepts 1 *Definition of the Reporting Entity* (August 1990) issued by the AASB.
 * See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.
 # See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.



ASA 800 SPFR	Extract	Initial Suggestion	Disposition
	<i>Presentation of Financial Statements</i> defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 <i>Australian Additional Disclosures</i> defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. “Reporting entities” are required to prepare general purpose financial statements. “Non-reporting entities” may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.		
Aus A9.1	ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.	Retain. (a) Ethics Standards sit outside of the ASAs, however come through ASA 102; (b) Materiality concept – introduced by the AUASB from the first set of enforceable Australian Standards; and (c) Consistent with the ASA 200 insert (Aus 23.1) which was, and remains, necessary because the legislative instruments (the standards) cannot be enforced where the requirement is not relevant or when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement. Delete ISA para A9. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of this paragraph.
Appendix 1 Illustration 4	An auditor’s report on a financial report prepared by a non-reporting entity under the <i>Corporations Act 2001</i> (for purposes of this illustration, a fair presentation framework).	Retain but update – refer Agenda Item 6.8a for example of updated report. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of Australian examples and approved draft examples presented.
Appendix 1 Illustration 5	An auditor’s report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the <i>Applicable State Act</i> (for purposes of this illustration, a	Retain but update – refer Agenda Item 6.8b for example of updated report. At the 25 November 2014 AUASB meeting, in the context of a	At the 22 February 2016 AUASB meeting, the



ASA 800 SPFR	Extract	Initial Suggestion	Disposition
	fair presentation framework).	preliminary discussion around the auditor reporting project, the AUASB decided to retain.	AUASB confirmed retention of Australian examples and approved draft examples presented.

ASA 805 Single Financial Statement	Extract	Initial Suggestion	Disposition
Aus A2.1	ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference 11. As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.	Remove. ISA 200 definition of financial statements is the same as Revised ASA 200 para 13f definition. Aus para no longer needed. At the 25 November 2014 AUASB Meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB agreed to abolish the requirement.	At the 22 February 2016 AUASB meeting, the AUASB confirmed deletion of this paragraph.
Aus A5.1	ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor,	Retain. (a) Ethics Standards sit outside of the ASAs, however come through ASA 102; (b) Materiality concept – introduced by the AUASB from the first set of enforceable Australian Standards; and (c) Consistent with the ASA 200 insert (Aus 23.1) which was, and remains, necessary because the legislative instruments (the standards) cannot be enforced where the requirement is not relevant or when there are factors	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of this paragraph.



ASA 805 Single Financial Statement	Extract	Initial Suggestion	Disposition
	where possible, performs appropriate alternative audit procedures.	outside the auditor's control that prevent the auditor from complying with a requirement. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain. Delete ISA para A5. <u>Note</u> – audits under this standard require compliance with all relevant standards, hence the same link as in ASA 800.	

EXPOSURE DRAFT

ED 01/16

(June 2016)

Proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

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

Draft

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 25 July 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

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PREFACE

Reasons for Issuing ED 01/16

The AUASB issues Exposure Draft ED 01/16 of proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and will replace the current ASA 800 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ~~commencing~~ending on or after 15 December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* by no later than 25 July 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
4. Are there any other significant public interest matters that constituents wish to raise?

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Draft

AUDITING STANDARD ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Application

Aus 0.1 This Auditing Standard applies to:

- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
- (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.

Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

Aus 0.3 This Auditing Standard is operative for financial reporting periods [commencing ending](#) on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a financial report prepared in accordance with a special purpose framework.
2. This Auditing Standard is written in the context of a financial report prepared in accordance with a special purpose framework. ASA 805¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This Auditing Standard does not override the requirements of the other Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a financial report prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;

¹ ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the financial report.

Definitions

6. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:

- (a) [Deleted by the AUASB. Refer Aus 6.1]
- (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1–A4)

Aus 6.1 Special purpose financial report means a complete set of financial statements*, including an assertion statement[#] by those responsible for the financial report, prepared in accordance with a special purpose framework. (Ref: Para. A1–A4)

7. [Deleted by the AUASB. Refer Aus 6.1]

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.³ In an audit of a special purpose financial report, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
- (a) The purpose for which the financial report is prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

9. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.⁴ In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A12)
10. ASA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.⁵ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of that financial report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

² ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a).

* ASA 200, paragraph Aus 13.1.

[#] [Where considered applicable.](#)

³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁴ See ASA 200, paragraph 18.

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a special purpose financial report, the auditor shall apply the requirements in ASA 700.⁶ (Ref: Para. A13–A19)

Description of the Applicable Financial Reporting Framework

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework.⁷ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes any significant interpretations of the contract on which the financial report is based.
13. ASA 700 deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on a special purpose financial report:
- (a) The auditor's report shall also describe the purpose for which the financial report is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's⁸ responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial ~~report~~ Report is Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on a special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial report is prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. (Ref: Para. A20–A21)

* * *

⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁷ See ASA 700, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para 6)

A1. Examples of special purpose frameworks are:

- A tax basis of accounting for a financial report that accompanies an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 The *Corporations Act 2001*,^{*} Australian Accounting Standards,[#] other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the *Corporations Act 2001*, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 *Presentation of Financial Statements* defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 *Australian Additional Disclosures* defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. "Reporting entities" are required to prepare general purpose financial statements. "Non-reporting entities" may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial report to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial report to imply full compliance with the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.

A4. A financial report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, that financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, the financial report is still considered to be a special purpose financial report for purposes of the Australian Auditing Standards. The requirements in paragraphs 13–14 are designed to avoid misunderstandings

^{*} See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

[#] See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

about the purpose for which the financial report is prepared. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial report, or in the notes, or incorporated therein by cross-reference.⁹

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.¹⁰
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

- A9. [Deleted by the AUASB. Refer Aus A9.1]

Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of

⁹ See ASA 200, paragraph 13(f).

¹⁰ See ASA 210, paragraph 18.

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transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.^{*11}

- A10. Application of some of the requirements of the Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.¹² In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. ASA 260 requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.¹³ ASA 260 notes that, in some cases, all of those charged governance are involved in managing the entity, and the application of the communication requirements is modified to recognise this position.¹⁴ When a general purpose financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial report may not be the same as those charged with governance responsible for the oversight of the preparation of that general purpose financial report.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. The Appendix to this Auditing Standard contains illustrations of independent auditors' reports on a special purpose financial report. Other illustrations of auditor's reports may be relevant to reporting on a special purpose financial report (see for example, the Appendices to ASA 700, ASA 705,¹⁵ ASA 570,¹⁶ ASA 720, and ASA 706).¹⁷

Application of ASA 700 When Reporting on a Special Purpose Financial Report

- A14. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply ASA 700 when forming an opinion and reporting on a special purpose financial report. In doing so, the auditor is also required to apply the reporting requirements in other Auditing Standards and may find the special considerations addressed in paragraphs A15–A19 below helpful.

Going Concern

- A15. A special purpose financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial report prepared on a tax basis in particular jurisdictions).¹⁸ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial report, the description in the auditor's

*—See ASA 200, paragraphs 14, 18 and Aus 23.1.

¹¹ See ASA 200, paragraphs 14, 18 and Aus 23.1.

¹² See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

¹³ ASA 260 *Communication with Those Charged with Governance*.

¹⁴ See ASA 260, paragraph A8.

¹⁵ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁶ ASA 570 *Going Concern*.

¹⁷ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

¹⁸ See ASA 570 *Going Concern*, paragraph 2.

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report of management's responsibilities¹⁹ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities²⁰ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A16. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701²¹ for audits of a general purpose financial report of listed entities. For audits of a special purpose financial report, ASA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial report is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a special purpose financial report, ASA 701 applies in its entirety.²²

Other Information

- A17. ASA 720²³ deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the special purpose financial report—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial report—are considered to be annual reports for the purpose of ASA 720. In the case of a financial report prepared using a special purpose framework, the term "similar stakeholders" includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial report. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the special purpose financial report.

Name of the Engagement Partner

- A18. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of a special purpose financial report of listed entities.²⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a special purpose financial report of entities other than listed entities.

Inclusion of a Reference to the Auditor's Report on the General ~~purpose Purpose financial-Financial~~ report Report

- A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial report, to the auditor's report on the general purpose financial report or to matter(s) reported therein (see ASA 706).²⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial report to a Material Uncertainty Related to Going Concern section included in the auditor's report on the general purpose financial report.

Alerting Readers that the Financial report is Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

- A20. The special purpose financial report may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special

¹⁹ See ASA 700, paragraphs 34(b) and A48.

²⁰ See ASA 700, paragraph 39(b)(iv).

²¹ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

²² See ASA 700, paragraph 31.

²³ ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

²⁴ See ASA 700, paragraphs 45 and A56–A58.

²⁵ See ASA 706, paragraphs 10–11.

purpose financial report on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial report is prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. ASA 706 requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".²⁶

Restriction on Distribution or Use (Ref: Para. 14)

- A21. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly (see illustrations in the Appendix to this Auditing Standard).

²⁶ See ASA 706, paragraph 9(a).

Appendix 1

(Ref: Para.A14)

Illustrations of Independent Auditor's Reports on a Special Purpose Financial Report

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

Illustration 3:[Deleted by the AUASB.]

[Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).

[Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

- For purposes of this illustrative auditor's report, the following circumstances are assumed:
- The financial report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks. The financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- An auditor's report on the general purpose financial report was not issued.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the balance sheet as at 31 December 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Company for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract dated 1 January 20X1 between the Company and DEF Company ("the contract"). [\[Opinion section positioned first as required in ASA 700\]](#)

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. 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 Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. ~~[The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]~~

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management²⁷ and Those Charged with Governance for the Financial ~~report~~Report²⁸

Management is responsible for the preparation of the financial report in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial ~~report~~Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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 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 ~~these~~this financial report.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's

²⁷ — Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

²⁸ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation of the financial report audit 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 Company's internal control.²⁹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Signature**

[Date of the auditor's report]

[Auditor's address]

²⁹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a financial report that has been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks. This financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Partnership (the Partnership), which comprises the balance sheet as at 31 December 20X1 and the income statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Partnership for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with [describe the applicable income tax law] of Jurisdiction X. ~~[Opinion section positioned first as required in ASA 700]~~

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. 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 Partnership in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. ~~[The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]~~

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management³⁰ and Those Charged with Governance for the Financial report³¹

Management is responsible for the preparation of the financial report in accordance with the tax basis of accounting in Jurisdiction X and for such internal control as management determines is necessary to enable the preparation of financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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 Australian Standards on Auditing 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 ~~these~~ this financial report.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

³⁰ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

³¹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

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As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 partnership's internal control.³²
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Signature]**

[Date of the auditor's report]

[Auditor's address]

³² This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

[Aus] Illustration 4:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report of a small proprietary company controlled by a foreign company and is required to lodge a financial report with the Australian Securities and Investments Commission (ASIC). The entity is a non-reporting entity.
- The financial report is prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained under the *Corporations Act 2001*, accordingly the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- giving a true and fair view of the company's financial position as at 31 December 20X1 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note X, 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or ~~has~~have 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 the financial report as a whole is free from material misstatement, 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.]

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*].

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

* The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

[Aus] Illustration 5:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the *applicable legislation*. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is not prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained and the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements' assertion statement*.

| In our opinion, the accompanying financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the Entity as at 31 December 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of the *applicable legislation*].

* Or other appropriate description.

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 Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared to assist ABC Entity to meet the requirements of the *applicable legislation*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *applicable legislation* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

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Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 800 and Existing ASA 800***Summary of Main Differences — ASA 800 and Existing ASA 800***

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 800. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 800 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 800 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 800 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 800 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a special purpose financial report. (Ref. Para. A18)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

EXPOSURE DRAFT

ED 01/16

(June 2016)

Proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

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

Draft

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 25 July 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 01/16

The AUASB issues Exposure Draft ED 01/16 of proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and will replace the current ASA 800 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ending on or after 15 December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* by no later than 25 July 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
4. Are there any other significant public interest matters that constituents wish to raise?

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Draft

AUDITING STANDARD ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods ending on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a financial report prepared in accordance with a special purpose framework.
2. This Auditing Standard is written in the context of a financial report prepared in accordance with a special purpose framework. ASA 805¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This Auditing Standard does not override the requirements of the other Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a financial report prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;

¹ ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the financial report.

Definitions

6. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:

- (a) [Deleted by the AUASB. Refer Aus 6.1]
- (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1–A4)

Aus 6.1 Special purpose financial report means a complete set of financial statements*, including an assertion statement[#] by those responsible for the financial report, prepared in accordance with a special purpose framework. (Ref: Para. A1–A4)

7. [Deleted by the AUASB. Refer Aus 6.1]

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.³ In an audit of a special purpose financial report, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
- (a) The purpose for which the financial report is prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

9. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.⁴ In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A12)
10. ASA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.⁵ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of that financial report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

² ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a).

* ASA 200, paragraph Aus 13.1.

[#] Where considered applicable.

³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁴ See ASA 200, paragraph 18.

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

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Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a special purpose financial report, the auditor shall apply the requirements in ASA 700.⁶ (Ref: Para. A13–A19)

Description of the Applicable Financial Reporting Framework

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework.⁷ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes any significant interpretations of the contract on which the financial report is based.
13. ASA 700 deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on a special purpose financial report:
- (a) The auditor's report shall also describe the purpose for which the financial report is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's⁸ responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial Report is Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on a special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial report is prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. (Ref: Para. A20–A21)

* * *

⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁷ See ASA 700, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para 6)

A1. Examples of special purpose frameworks are:

- A tax basis of accounting for a financial report that accompanies an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 The *Corporations Act 2001*,^{*} Australian Accounting Standards,[#] other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the *Corporations Act 2001*, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 *Presentation of Financial Statements* defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 *Australian Additional Disclosures* defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. "Reporting entities" are required to prepare general purpose financial statements. "Non-reporting entities" may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial report to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial report to imply full compliance with the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.

A4. A financial report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, that financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, the financial report is still considered to be a special purpose financial report for purposes of the Australian Auditing Standards. The requirements in paragraphs 13–14 are designed to avoid misunderstandings

^{*} See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

[#] See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

about the purpose for which the financial report is prepared. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial report, or in the notes, or incorporated therein by cross-reference.⁹

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.¹⁰
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

- A9. [Deleted by the AUASB. Refer Aus A9.1]

Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of

⁹ See ASA 200, paragraph 13(f).

¹⁰ See ASA 210, paragraph 18.

transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.¹¹

- A10. Application of some of the requirements of the Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.¹² In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. ASA 260 requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.¹³ ASA 260 notes that, in some cases, all of those charged governance are involved in managing the entity, and the application of the communication requirements is modified to recognise this position.¹⁴ When a general purpose financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial report may not be the same as those charged with governance responsible for the oversight of the preparation of that general purpose financial report.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. The Appendix to this Auditing Standard contains illustrations of independent auditors' reports on a special purpose financial report. Other illustrations of auditor's reports may be relevant to reporting on a special purpose financial report (see for example, the Appendices to ASA 700, ASA 705,¹⁵ ASA 570,¹⁶ ASA 720, and ASA 706).¹⁷

Application of ASA 700 When Reporting on a Special Purpose Financial Report

- A14. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply ASA 700 when forming an opinion and reporting on a special purpose financial report. In doing so, the auditor is also required to apply the reporting requirements in other Auditing Standards and may find the special considerations addressed in paragraphs A15–A19 below helpful.

Going Concern

- A15. A special purpose financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial report prepared on a tax basis in particular jurisdictions).¹⁸ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial report, the description in the auditor's report of management's responsibilities¹⁹ relating to going concern may need to be adapted as

¹¹ See ASA 200, paragraphs 14, 18 and Aus 23.1.

¹² See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

¹³ ASA 260 *Communication with Those Charged with Governance*.

¹⁴ See ASA 260, paragraph A8.

¹⁵ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁶ ASA 570 *Going Concern*.

¹⁷ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

¹⁸ See ASA 570 *Going Concern*, paragraph 2.

¹⁹ See ASA 700, paragraphs 34(b) and A48.

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necessary. The description in the auditor's report of the auditor's responsibilities²⁰ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A16. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701²¹ for audits of a general purpose financial report of listed entities. For audits of a special purpose financial report, ASA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial report is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a special purpose financial report, ASA 701 applies in its entirety.²²

Other Information

- A17. ASA 720²³ deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the special purpose financial report—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial report—are considered to be annual reports for the purpose of ASA 720. In the case of a financial report prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial report. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the special purpose financial report.

Name of the Engagement Partner

- A18. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of a special purpose financial report of listed entities.²⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a special purpose financial report of entities other than listed entities.

Inclusion of a Reference to the Auditor's Report on the General Purpose Financial Report

- A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial report, to the auditor's report on the general purpose financial report or to matter(s) reported therein (see ASA 706).²⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial report to a Material Uncertainty Related to Going Concern section included in the auditor's report on the general purpose financial report.

Alerting Readers that the Financial report is Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

- A20. The special purpose financial report may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial report on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial report is prepared in accordance with a special purpose framework and, therefore,

²⁰ See ASA 700, paragraph 39(b)(iv).

²¹ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

²² See ASA 700, paragraph 31.

²³ ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

²⁴ See ASA 700, paragraphs 45 and A56–A58.

²⁵ See ASA 706, paragraphs 10–11.

may not be suitable for another purpose. ASA 706 requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".²⁶

Restriction on Distribution or Use (Ref: Para. 14)

- A21. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly (see illustrations in the Appendix to this Auditing Standard).

Draft

²⁶ See ASA 706, paragraph 9(a).

Appendix 1

(Ref: Para.A14)

Illustrations of Independent Auditor's Reports on a Special Purpose Financial Report

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

Illustration 3:[Deleted by the AUASB.]

[Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).

[Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

- For purposes of this illustrative auditor's report, the following circumstances are assumed:
- The financial report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks. The financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- An auditor's report on the general purpose financial report was not issued.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the balance sheet as at 31 December 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Company for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract dated 1 January 20X1 between the Company and DEF Company ("the contract").

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. 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 Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report²⁷

Management is responsible for the preparation of the financial report in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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 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.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

²⁷ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation of the financial report audit 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 Company's entity's internal control.²⁸
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Signature**

[Date of the auditor's report]

[Auditor's address]

²⁸ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a financial report that has been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks. This financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Partnership (the Partnership), which comprises the balance sheet as at 31 December 20X1 and the income statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Partnership for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with [*describe the applicable income tax law*] of Jurisdiction X.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. 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 Partnership in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report²⁹

Management is responsible for the preparation of the financial report in accordance with the tax basis of accounting in Jurisdiction X and for such internal control as management determines is necessary to enable the preparation of financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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 Australian Standards on Auditing 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.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

²⁹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

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- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 partnership's internal control.³⁰
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Signature]**

[Date of the auditor's report]

[Auditor's address]

³⁰ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

[Aus] Illustration 4:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report of a small proprietary company controlled by a foreign company and is required to lodge a financial report with the Australian Securities and Investments Commission (ASIC). The entity is a non-reporting entity.
- The financial report is prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained under the *Corporations Act 2001*, accordingly the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- giving a true and fair view of the company's financial position as at 31 December 20X1 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note X, 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 Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have 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 the financial report as a whole is free from material misstatement, 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.]

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*].

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Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

* The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

[Aus] Illustration 5:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the *applicable legislation*. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is not prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained and the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements' assertion statement*.

In our opinion, the accompanying financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the Entity as at 31 December 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of the *applicable legislation*].

* Or other appropriate description.

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 Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared to assist ABC Entity to meet the requirements of the *applicable legislation*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *applicable legislation* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Date of the auditor's report]

[Auditor's address]

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 800 and Existing ASA 800***Summary of Main Differences — ASA 800 and Existing ASA 800***

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 800. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 800 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 800 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 800 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 800 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a special purpose financial report. (Ref. Para. A18)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

EXPOSURE DRAFT

ED 02/16

(June 2016)

Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

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

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than ~~31-25 May~~ July 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 02/16

The AUASB issues Exposure Draft ED 02/16 of proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and will replace the current ASA 805 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ~~commencing~~ending on or after 15 December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* by no later than ~~31 May 2016~~25 July 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
4. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments,

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 805.

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods [commencing ending](#) on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit.
(Ref: Para. A1–A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report (see ASA 600).²
3. This Auditing Standard does not override the requirements of the other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

¹ ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

² ASA 600 *Special Considerations—Audits of [a Group Financial Report](#) Statements (Including the Work of Component Auditors)*.

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
- (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For purposes of this Auditing Standard, reference to:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or to a specific element of a financial statement includes the related disclosures. (Ref: Para. A2)

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial report in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5–A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8–A9)

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6,7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10–A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ and, when applicable, ASA 800 adapted as necessary in the circumstances of the engagement. (Ref: Para. A16–A22)

Reporting on the Entity's Financial ~~report~~ Report and on a Single Financial Statement or on a Specific Element of that Financial ~~report~~ Report

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. The audited single financial statement or the audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial ~~report~~ Report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

14. If the auditor's report on an entity's financial report includes:
- (a) A modified~~7~~ opinion in accordance with ASA 705;⁹
 - (b) An Emphasis of Matter paragraph or an Other Matter paragraph, in accordance with ASA 706,¹⁰

⁵ See ASA 210, paragraph 10(e).

⁶ See ASA 200, paragraph 2.

⁷ ASA 200, paragraph 13(f), explains that the term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework paragraphs Aus 13.1 and Aus 13.2.

⁸ ASA 700 Forming an Opinion and Reporting on a Financial Report Statements.

⁹ ASA 705 Modifications to the Opinion in the Independent Auditor's Report.

¹⁰ ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- (c) A Material Uncertainty Related to Going Concern section in accordance with ASA 570;¹¹
- (d) Communication of key audit matters in accordance with ASA 701;¹² or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹³

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report

- 15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element of that financial report.¹⁴ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report as a whole. (Ref: Para. A128)
- 16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element of that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
 - (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The element does not constitute a major portion of the entity's financial report.
- 17. The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

¹¹ See ASA 570 *Going Concern*, paragraph 22.

¹² See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13.

¹³ See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii).

¹⁴ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 15.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1, 6(c))

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁵
- A2. ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures ~~related~~, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹⁶ As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹⁷ they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000.¹⁸

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁹
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s financial report. In such

¹⁵ See ASA 200, paragraph 13(g).

¹⁶ See ASA 200, paragraph 13(f).

¹⁷ See ASA 200, paragraph 2.

¹⁸ ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁹ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570²⁰ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a ~~complete set of~~ financial report (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.²¹ In accordance with ASA 700:²²
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases:
 - (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
 - (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the specific element of the financial statement. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a ~~complete set of~~ financial report (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's

²⁰ ~~ASA 570 Going Concern.~~

²¹ See ASA 200, paragraph 8.

²² See ASA 700, paragraphs 25–26.

consideration as to whether to use the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the specific element of a financial statement include the related disclosures.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor’s decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,²³ ASA 550²⁴ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.
- A11. ASA 260 requires the auditor to determine the appropriate person(s) within the entity’s governance structure with whom to communicate.²⁵ ASA 260 notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognise this position.²⁶ When a financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the single financial statement or the element may not be the same as those charged with governance responsible for the oversight of the preparation of the financial report.
- A12. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement²⁷ or of a specific element of a financial statement.²⁸ For example, written representations from management about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A13. Matters included in the auditor’s report on the financial report may have implications for the audit of a single financial statement or of an element of a financial statement (see paragraph 14). When planning and performing an audit of a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity’s financial

²³ ASA 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report*.

²⁴ ASA 550 *Related Parties*.

²⁵ See ASA 260 *Communication with Those Charged with Governance*, paragraph 11.

²⁶ See ASA 260, paragraph 10(b), 13, A1 (third bullet), A2 and A8.

²⁷ See ASA 200, paragraph 2.

²⁸ See ASA 200, paragraph 2.

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report, the auditor may be able to use audit evidence obtained as part of the audit of the financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

- A14. The individual financial statements that comprise a financial report, and many of the specific elements of that financial report, including their related disclosures, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A15. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A16. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²⁹ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ASA 700, ASA 705, ASA 570, ASA 720, and ASA 706).

Application of ASA 700 When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

- A18. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply the requirements in ASA 700, adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other Australian Auditing Standards adapted as necessary in the circumstances of the engagement, and may find the considerations addressed in paragraphs A19–A21 below helpful.

Going Concern

- A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities³⁰ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's

²⁹ See ASA 700, paragraph 13(e).

³⁰ See ASA 700, paragraphs 34(b) and A48.

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responsibilities³¹ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A20. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701 for audits of a general purpose financial report of listed entities.³² For audits of a single financial statement or a specific element of a financial statement, ASA 701 only applies when communication of key audit matters in the auditor's report on such financial report or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ASA 701 applies in its entirety.³³

Other Information

- A21. ASA 720 deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ASA 720. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

- A22. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial report of listed entities or specific elements of financial report of listed entities.³⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than listed entities.

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of a Financial Statement (Ref: Para. 14)

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial [report-Report](#) for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

- A23. Paragraph 14 requires the auditor to consider the implications, if any, of certain matters included in the auditor's report on the financial report for the audit of the single financial statement or the specific element of a financial statement and for the auditor's report thereon. Considering whether a matter included in the auditor's report on a financial report is relevant in the context of an engagement to report on a single financial statement or a specific element of a financial statement involves professional judgement.
- A24. Factors that may be relevant in considering those implications include:
- The nature of the matter(s) being described in the auditor's report on the financial report and the extent to which it relates to what is included in the single financial statement or a specific element of a financial statement.

³¹ See ASA 700, paragraphs 39(b)(iv).

³² See ASA 700, paragraph 30.

³³ See ASA 700, paragraph 31.

³⁴ See ASA 700, paragraphs 46 and A61–A63.

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- The pervasiveness of the matter(s) described in the auditor's report on the financial report.
- The nature and extent of the differences between the applicable financial reporting frameworks.
- The extent of the difference between the period(s) covered by the financial report compared to the period(s) or dates of the single financial statement or the element of a financial statement.
- The time elapsed since the date of the auditor's report on the financial report.

- A25. For example, in the case when there is a qualification of the auditor's opinion in relation to accounts receivable in the auditor's report on the financial report, and the single financial statement includes accounts receivable, or the specific element of a financial statement relates to accounts receivable, it is likely that there would be implications for the audit. On the other hand, if the qualification of the auditor's opinion on the financial report relates to classification of long-term debt, then it is less likely that there would be implications for an audit of the single financial statement that is the income statement, or if the specific element of the financial statement relates to accounts receivable.
- A26. Key audit matters that are communicated in the auditor's report on the financial report may have implications for an audit of a single financial statement or the specific element of the financial statement. The information included in the Key Audit Matters section about how the matter was addressed in the audit of the financial report may be useful to the auditor's determination of how to address the matter when it is relevant to the audit of the single financial statement or the specific element of the financial statement.

Inclusion of a reference to the auditor's report on the financial report

- A27. Even when certain matters included in the auditor's report on the financial report do not have implications for the audit of, or for the auditor's report on, the single financial statement or the specific element of a financial statement, the auditor may deem it appropriate to refer to the matter(s) in an Other Matter paragraph in an auditor's report on the single financial statement or on the specific element of a financial statement (see ASA 706).³⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the single financial statement or a specific element of the financial statement to a Material Uncertainty Related to Going Concern section included in the auditor's report on the financial report.

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report Report (Ref: Para. 15)

- A28. In the auditor's report on an entity's financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial report as a whole.³⁶

³⁵ See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 10–11.

³⁶ See ASA 510 *Initial Audit Engagements—Opening Balances*, paragraph A8, and ~~ISA~~ ASA 705, paragraph A16.

Appendix 1

(Ref: Para.A3)

Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private superannuation plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: ~~An auditor's report on a specific element, of a financial statement of a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework)~~[Deleted by the AUASB. Refer [Aus] Illustration 3A.
- [Aus] Illustration 3A: An auditor's report on a specific element, of a financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

**Example Auditor’s Report
General Purpose – Financial Statement – Statement of
Financial Position
(Fair Presentation Framework)**

Illustration 1:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a statement of financial position (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- The statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a statement of financial position.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that 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 in accordance with ASA 570. The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of financial position.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of financial position of ABC Company (the Company) as at 31 December 20X1 and notes to the financial statement, including a summary of significant accounting policies (together “the financial statement”).

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Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as at 31 December 20X1 in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement.

~~[Opinion section positioned first as required in ASA 700.]~~

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

~~[The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]~~

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management³⁷ and Those Charged with Governance for the Financial Statement³⁸

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, 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 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 statement.

³⁷ — Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

³⁸ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit 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 Company's internal control.³⁹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date of the auditor's report]

[Auditor's address]

³⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances." This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

**Example Auditor’s Report
Special Purpose – Financial Statement – Statement of
Cash Receipts and Disbursements
(Fair Presentation Framework)**

Illustration 2:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- An auditor’s report on the financial report was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.⁴⁰
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Distribution or use of the auditor’s report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

⁴⁰ ASA 800 contains requirements and guidance on the form and content of [a financial statements report](#) prepared in accordance with a special purpose framework.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of cash receipts and disbursements of ABC Company (the Company) for the year ended 31 December 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Company for the year ended 31 December 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X. ~~[Opinion section positioned first as required in ASA 700].~~

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. ~~[The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]~~

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management⁴¹ and Those Charged with Governance⁴² for the Financial Statement

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, 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 Australian Auditing Standards will always detect a material

⁴¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁴² Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

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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 statement.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 ~~(Revised)~~ explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.⁴³
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date of the auditor's report]

~~[Auditor's address]~~

⁴³ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Example Auditor's Report
Special Purpose – Financial Statement – Accounts Receivable Schedule
(Compliance Framework)

~~[Aus] Illustration 3A: An auditor's report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework.~~

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement) ~~of an entity other than a listed entity. The schedule is not prepared under the Corporations Act 2001.~~
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁴⁴
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit ~~are those of the jurisdiction~~ are the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.
- Distribution of the auditor's report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570 ~~(Revised)~~.
- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ASA 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 ~~(Revised)~~ do not apply).
- ~~Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.~~ Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

~~[To the Shareholders of ABC Company or Other]~~ Appropriate Addressee]

⁴⁴ ASA 800 (Revised) contains requirements and guidance on the form and content of a financial ~~statements report~~ prepared in accordance with a special purpose framework.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Opinion

We have audited the accounts receivable schedule of ABC Company (the Company) as at 31 December 20X1 (“the schedule”).

In our opinion, the financial information in the schedule of the Company as at 31 December 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator]. ~~[Opinion section positioned first as required ASA 700 (Revised)]~~

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing ~~(ASAs)~~. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the schedule in ~~[jurisdiction Australia]~~, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. ~~[The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after opinion section as required in ASA 700 (Revised).]~~

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management ⁴⁵ ~~and Those Charged with Governance~~ for the Schedule ⁴⁶

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

In preparing the schedule, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

~~Those charged with governance are responsible for overseeing the Company’s financial reporting process.~~

Auditor’s Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, 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 ASAs—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 schedule.

⁴⁵ — Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁴⁶ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Paragraph 41(b) of ASA 700 ~~(Revised)~~ explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 ~~(Revised)~~ explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with ASAs Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.⁴⁷
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

~~We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.~~

~~The engagement partner on the audit resulting in this independent auditor's report is [name].~~

~~[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]*~~

~~[Auditor's address]~~

~~[Date]~~

⁴⁷ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 805 and Existing ASA 805

Summary of Main Differences — ASA 805 and Existing ASA 805

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 805. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 805 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 805 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 805 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 805 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a single financial statement or a specific element of a financial statement.
(Ref. Para. A22)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

EXPOSURE DRAFT

ED 02/16

(June 2016)

Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

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

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 25 July 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 02/16

The AUASB issues Exposure Draft ED 02/16 of proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and will replace the current ASA 805 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ending on or after 15 December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* by no later than 25 July 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
4. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments,

whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 805.

Draft

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

Aus 0.1 This Auditing Standard applies to:

- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
- (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.

Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

Aus 0.3 This Auditing Standard is operative for financial reporting periods ending on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit.
(Ref: Para. A1–A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report (see ASA 600).²
3. This Auditing Standard does not override the requirements of the other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

¹ ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

² ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
- (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For purposes of this Auditing Standard, reference to:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or to a specific element of a financial statement includes the related disclosures. (Ref: Para. A2)

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial report in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5–A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8–A9)

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6,7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10–A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ and, when applicable, ASA 800 adapted as necessary in the circumstances of the engagement. (Ref: Para. A16–A22)

Reporting on the Entity's Financial Report and on a Single Financial Statement or on a Specific Element of that Financial Report

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. The audited single financial statement or the audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial Report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

14. If the auditor's report on an entity's financial report includes:
- (a) A modified opinion in accordance with ASA 705;⁹
 - (b) An Emphasis of Matter paragraph or an Other Matter paragraph, in accordance with ASA 706,¹⁰

⁵ See ASA 210, paragraph 10(e).

⁶ See ASA 200, paragraph 2.

⁷ ASA 200, paragraphs Aus 13.1 and Aus 13.2.

⁸ ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁹ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁰ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- (c) A Material Uncertainty Related to Going Concern section in accordance with ASA 570;¹¹
- (d) Communication of key audit matters in accordance with ASA 701;¹² or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹³

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report

- 15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element of that financial report.¹⁴ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report as a whole. (Ref: Para. A128)
- 16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element of that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
 - (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The element does not constitute a major portion of the entity's financial report.
- 17. The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

¹¹ See ASA 570 *Going Concern*, paragraph 22.

¹² See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13.

¹³ See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii).

¹⁴ See ASA 705, paragraph 15.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1, 6(c))

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁵
- A2. ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹⁶ As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹⁷ they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000.¹⁸

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁹
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s financial report. In such

¹⁵ See ASA 200, paragraph 13(g).

¹⁶ See ASA 200, paragraph 13(f).

¹⁷ See ASA 200, paragraph 2.

¹⁸ ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁹ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570 are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.²⁰ In accordance with ASA 700:²¹
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases:
 - (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
 - (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the specific element of the financial statement. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's consideration as to

²⁰ See ASA 200, paragraph 8.

²¹ See ASA 700, paragraphs 25–26.

whether to use the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the specific element of a financial statement include the related disclosures.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor’s decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,²² ASA 550²³ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.
- A11. ASA 260 requires the auditor to determine the appropriate person(s) within the entity’s governance structure with whom to communicate.²⁴ ASA 260 notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognise this position.²⁵ When a financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the single financial statement or the element may not be the same as those charged with governance responsible for the oversight of the preparation of the financial report.
- A12. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement²⁶ or of a specific element of a financial statement. For example, written representations from management about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A13. Matters included in the auditor’s report on the financial report may have implications for the audit of a single financial statement or of an element of a financial statement (see paragraph 14). When planning and performing an audit of a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity’s financial report, the auditor may be able to use audit evidence obtained as part of the audit of the

²² ASA 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report*.

²³ ASA 550 *Related Parties*.

²⁴ See ASA 260 *Communication with Those Charged with Governance*, paragraph 11.

²⁵ See ASA 260, paragraph 10(b), 13, A1 (third bullet), A2 and A8.

²⁶ See ASA 200, paragraph 2.

financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

- A14. The individual financial statements that comprise a financial report, and many of the specific elements of that financial report, including their related disclosures, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A15. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A16. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²⁷ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ASA 700, ASA 705, ASA 570, ASA 720, and ASA 706).

Application of ASA 700 When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

- A18. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply the requirements in ASA 700, adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other Australian Auditing Standards adapted as necessary in the circumstances of the engagement, and may find the considerations addressed in paragraphs A19–A21 below helpful.

Going Concern

- A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities²⁸ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities²⁹ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

²⁷ See ASA 700, paragraph 13(e).

²⁸ See ASA 700, paragraphs 34(b) and A48.

²⁹ See ASA 700, paragraphs 39(b)(iv).

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Key Audit Matters

- A20. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701 for audits of a general purpose financial report of listed entities.³⁰ For audits of a single financial statement or a specific element of a financial statement, ASA 701 only applies when communication of key audit matters in the auditor's report on such financial report or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ASA 701 applies in its entirety.³¹

Other Information

- A21. ASA 720 deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ASA 720. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

- A22. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial report of listed entities or specific elements of financial report of listed entities.³² The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than listed entities.

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of a Financial Statement (Ref: Para. 14)

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial Report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

- A23. Paragraph 14 requires the auditor to consider the implications, if any, of certain matters included in the auditor's report on the financial report for the audit of the single financial statement or the specific element of a financial statement and for the auditor's report thereon. Considering whether a matter included in the auditor's report on a financial report is relevant in the context of an engagement to report on a single financial statement or a specific element of a financial statement involves professional judgement.
- A24. Factors that may be relevant in considering those implications include:
- The nature of the matter(s) being described in the auditor's report on the financial report and the extent to which it relates to what is included in the single financial statement or a specific element of a financial statement.
 - The pervasiveness of the matter(s) described in the auditor's report on the financial report.

³⁰ See ASA 700, paragraph 30.

³¹ See ASA 700, paragraph 31.

³² See ASA 700, paragraphs 46 and A61–A63.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- The nature and extent of the differences between the applicable financial reporting frameworks.
 - The extent of the difference between the period(s) covered by the financial report compared to the period(s) or dates of the single financial statement or the element of a financial statement.
 - The time elapsed since the date of the auditor's report on the financial report.
- A25. For example, in the case when there is a qualification of the auditor's opinion in relation to accounts receivable in the auditor's report on the financial report, and the single financial statement includes accounts receivable, or the specific element of a financial statement relates to accounts receivable, it is likely that there would be implications for the audit. On the other hand, if the qualification of the auditor's opinion on the financial report relates to classification of long-term debt, then it is less likely that there would be implications for an audit of the single financial statement that is the income statement, or if the specific element of the financial statement relates to accounts receivable.
- A26. Key audit matters that are communicated in the auditor's report on the financial report may have implications for an audit of a single financial statement or the specific element of the financial statement. The information included in the Key Audit Matters section about how the matter was addressed in the audit of the financial report may be useful to the auditor's determination of how to address the matter when it is relevant to the audit of the single financial statement or the specific element of the financial statement.

Inclusion of a reference to the auditor's report on the financial report

- A27. Even when certain matters included in the auditor's report on the financial report do not have implications for the audit of, or for the auditor's report on, the single financial statement or the specific element of a financial statement, the auditor may deem it appropriate to refer to the matter(s) in an Other Matter paragraph in an auditor's report on the single financial statement or on the specific element of a financial statement (see ASA 706).³³ For example, the auditor may consider it appropriate to refer in the auditor's report on the single financial statement or a specific element of the financial statement to a Material Uncertainty Related to Going Concern section included in the auditor's report on the financial report.

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial Report (Ref: Para. 15)

- A28. In the auditor's report on an entity's financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial report as a whole.³⁴

³³ See ASA 706, paragraphs 10–11.

³⁴ See ASA 510 *Initial Audit Engagements—Opening Balances*, paragraph A8, and ASA 705, paragraph A16.

Appendix 1

(Ref: Para.A3)

Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private superannuation plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: [Deleted by the AUASB. Refer [Aus] Illustration 3A.
- [Aus] Illustration 3A: An auditor's report on a specific element, of a financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

**Example Auditor's Report
General Purpose – Financial Statement – Statement of
Financial Position
(Fair Presentation Framework)**

Illustration 1:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a statement of financial position (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- The statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a statement of financial position.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The auditor has determined that it is appropriate to use the phrase "presents fairly, in all material respects," in the auditor's opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that 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 in accordance with ASA 570. The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of financial position.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of financial position of ABC Company (the Company) as at 31 December 20X1 and notes to the financial statement, including a summary of significant accounting policies (together "the financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as at 31 December 20X1 in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement³⁵

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives³⁵ are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, 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 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 statement.

³⁵ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit 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 Company's internal control.³⁶
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date of the auditor's report]

³⁶ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

**Example Auditor's Report
Special Purpose – Financial Statement – Statement of
Cash Receipts and Disbursements
(Fair Presentation Framework)**

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- An auditor's report on the financial report was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.³⁷
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase "presents fairly, in all material respects," in the auditor's opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Distribution or use of the auditor's report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

³⁷ ASA 800 contains requirements and guidance on the form and content of a financial report prepared in accordance with a special purpose framework.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of cash receipts and disbursements of ABC Company (the Company) for the year ended 31 December 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Company for the year ended 31 December 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statement³⁸

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, 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 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 statement.

³⁸ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.³⁹
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date of the auditor's report]

³⁹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Example Auditor’s Report
Special Purpose – Financial Statement – Accounts Receivable Schedule
(Compliance Framework)

[Aus] Illustration 3A:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement) of an entity other than a listed entity. The schedule is *not* prepared under the *Corporations Act 2001*.
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁴⁰
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Distribution of the auditor’s report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ASA 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the accounts receivable schedule of ABC Company (the Company) as at 31 December 20X1 (“the schedule”).

⁴⁰ ASA 800 (Revised) contains requirements and guidance on the form and content of a financial report prepared in accordance with a special purpose framework.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

In our opinion, the financial information in the schedule of the Company as at 31 December 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the schedule in Australia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Schedule⁴¹

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

In preparing the schedule, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, 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 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 schedule.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

⁴¹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.⁴²
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date]

⁴² This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 805 and Existing ASA 805***Summary of Main Differences — ASA 805 and Existing ASA 805***

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 805. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 805 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 805 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 805 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 805 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a single financial statement or a specific element of a financial statement. (Ref. Para. A22)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(b)**
Meeting Date: 14 June 2016
Subject: ED ASA 810
Date Prepared: 25 May 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To approve for issue the ED on ASA 810.

Background

The IAASB issued the final revised ISA 810 in late March 2016.

In summary, the changes in ISA 810 relate to:

- Additional requirements and application material to address the information gap related to a material uncertainty related to going concern or an uncorrected material misstatement of other information (now separate sections of an auditor's report and no longer addressed using an EOM or OM paragraph)
- New requirement to *refer* to any KAMs in the auditor's report on the audited financial report (reference only – no description/repetition)
- Updated illustrative auditor's reports – consistent with new ISA 700.

Decisions made at **18 April 2016** AUASB meeting:

- Remove paragraph Aus 4.1(c) - The Aus para included the following words which were additional to the ISA: *Summary financial statements may include an assertion by those responsible for the summary financial statements.* The AUASB agreed that the additional wording does not meet the compelling reasons test.
- Example wording to be included as Aus 1.1 of ASA 810:
Where an entity prepares a concise financial report in accordance with paragraph 314(2)(a) in Part 2M.3 of the *Corporations Act 2001*, an auditor's report thereon is required under paragraph 314(2)(c) in Part 2M.3 of the *Corporations Act 2001*. The minimum content of the concise financial report is determined by the Australian Accounting Standards Board and is set out in AASB 1039 *Concise Financial Reports*.
- Include an example of a concise reports auditor's report in the appendix to ASA 810.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Matters to Consider

Part A – General

The AUASB is asked to consider and approve for issue the draft ED ASA 810.

Part B – NZAuASB

The AUASB has liaised with the NZAuASB who have raised no particular issue on this ISA. We understand that the NZAuASB technical group is intending to take a draft ED on ISA 810 to their 9 June 2016 NZAuASB meeting.

Part C – “Compelling Reasons” Assessment

Considered at the 18 April 2016 AUASB meeting within the BMSP paper with no issues noted, the compelling reasons paper is now attached at Agenda Item 4(b).4.

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

AUASB Technical Group Recommendations

Approve for issue the draft ED on ASA 810.

Material Presented

Agenda Item 4(b)	AUASB Board Meeting Summary Paper
Agenda Item 4(b).1	Final ISA 810 (marked up)
Agenda Item 4(b).2	ED ASA 810 (marked up)_
Agenda Item 4(b).3	ED ASA 810 (clean)
Agenda Item 4(b).4	Compelling reasons test

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the ED on ASA 810	Approval	AUASB	14 June 2016	o/s

Final Pronouncement
March 2016

International Standard on Auditing (ISA)

**ISA 810 (Revised), *Engagements to
Report on Summary Financial
Statements***

IAASB

International Auditing
and Assurance
Standards Board

This document was developed and approved by the International Auditing and Assurance Standards Board (IAASB).

This IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants® (IFAC®).

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INTERNATIONAL STANDARD ON AUDITING 810 (REVISED)

ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

(Effective for engagements to report on summary financial statements for periods
~~beginning~~ending on or after December 15, 2009~~2016~~)

Note to Readers: This document shows, in marked text, the final approved changes to extant ISA 810. Changes arising from the finalization of the ISA 720 (Revised) project have also been incorporated in the text where necessary. This presentation is intended to illustrate the nature and extent of the amendments made by the IAASB and assist those translating the ISAs. The footnote numbering in this document does not necessarily correlate with the footnotes as currently included in the extant ISA.

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International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor.

Effective Date

2. This ISA is effective for engagements to report on summary financial statements for periods ~~beginning~~ending on or after December 15, ~~2016~~2009.

Objectives

3. The objectives of the auditor are:
 - (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
 - (b) If engaged to report on summary financial statements:
 - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

4. For purposes of this ISA, the following terms have the meanings attributed below:
 - (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
 - (b) Audited financial statements – Financial statements¹ audited by the auditor in accordance with ISAs, and from which the summary financial statements are derived.
 - (c) Summary financial statements – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.² Different jurisdictions may use different terminology to describe such historical financial information.

¹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(f), defines the term "financial statements."

² ISA 200, paragraph 13(f)

Requirements

Engagement Acceptance

5. The auditor shall accept an engagement to report on summary financial statements in accordance with this ISA only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived. (Ref: Para. A1)
6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
 - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3–A7)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
 - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
 - (ii) To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
 - (iii) To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.
 - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9–11).
7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA. The auditor shall include appropriate reference to this fact in the terms of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial statements from which the summary financial statements are derived.

Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
 - (a) Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.
 - (b) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial statements are available; or

- (ii) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
- (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
- (d) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.
- (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
- (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- (g) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

Form of Opinion

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
 - (a) The accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [*the applied criteria*]; or
 - (b) The accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with [*the applied criteria*].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
 - (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and
 - (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial statements. In such cases, the auditor's report on the summary financial statements shall state that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements ~~that may require adjustment of, or disclosure in, the audited financial statements.~~ (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial statements, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial statements in accordance with ISA 560³ has been completed.

Information in Documents Containing Summary Financial Statements *[previously paragraph 24]*

1424. The auditor shall read ~~the other~~ information included in a document containing the summary financial statements and ~~the related auditor's report thereon and consider whether there is to identify a material inconsistency inconsistencies, if any, with between that information and the summary financial statements.~~
15. ~~If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall discuss the matter with management and determine whether the summary financial statements or the other information included in the document containing the summary financial statements and the auditor's report thereon needs to be revised. If, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management determines that the information needs to be revised and management refuses to revise the information as necessary, the auditor shall take appropriate action in the circumstances, including considering the implications for the auditor's report on the summary financial statements.~~ (Ref: Para. A1149–A16)

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

1614. The auditor's report on summary financial statements shall include the following elements:⁴ (Ref: Para. A2315)
 - (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A1741)
 - (b) An addressee. (Ref: Para. A1842)
 - ~~(c) An introductory paragraph that:~~
 - (c)(i) Identification of ~~identifies~~ the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements. (Ref: Para. A1943)
 - (d)(ii) Identification of the audited financial statements.;

³ ISA 560, *Subsequent Events*

⁴ Paragraphs 1947–2048, which deal with circumstances where the auditor's report on the audited financial statements has been modified, require additional elements to those listed in this paragraph.

- (e)(f) ~~A paragraph~~Subject to paragraph 20, a clearly expressiong of an opinion (see paragraphs 9–11).
- (f)(v) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial statements and the auditor's report thereon.
- (g)(iv) ~~Where applicable, the statement required by paragraph 12. If the date of the auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements, states that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements; and~~
- (h)(iii) Reference~~Refers~~ to the auditor's report on the audited financial statements, the date of that report, and, subject to paragraphs 1917–2018, the fact that an unmodified opinion is expressed on the audited financial statements.;
- (i)(d) A description of management's⁵ responsibility for the summary financial statements, explaining that management⁶ is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
- (j)(e) A statement that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted in accordance with this ISA, on whether the summary financial statements are consistent, in all material respects, with [or are a fair summary of] the audited financial statements~~based on the procedures required by this ISA~~.
- (k)(g) The auditor's signature.
- (l)(i) The auditor's address.
- (m)(h)The date of the auditor's report. (Ref: Para. A2014)
1745. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A1812)
1618. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A2014)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for them; and
 - (b) The date of the auditor's report on the audited financial statements.

⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Modifications~~Reference to the Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Audited Financial Statements~~ (Ref: Para. A2345)

1947. When the auditor's report on the audited financial statements ~~includes~~contains:

- (a) ~~A~~A qualified opinion in accordance with ISA 705 (Revised);⁷
- (b) ~~A~~An Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with ISA 706 (Revised);⁸
- (c) ~~A~~A *Material Uncertainty Related to Going Concern* section in accordance with ISA 570 (Revised);⁹
- (d) Communication of key audit matters in accordance with ISA 701;¹⁰ or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised);¹¹

~~but~~and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 1614:

- (i)(a) State that the auditor's report on the audited financial statements ~~includes~~ contains a qualified opinion, an Emphasis of Matter paragraph, ~~or~~an Other Matter paragraph, a *Material Uncertainty Related to Going Concern* section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
- (ii)(b) Describe: (Ref: Para. A22)
 - a(i). The basis for the qualified opinion on the audited financial statements, and the effect thereof, if any, on the summary financial statements ~~that qualified opinion; or~~;
 - b. The matter referred to in the Emphasis of Matter or paragraph, the Other Matter paragraph, or the *Material Uncertainty Related to Going Concern* section in the auditor's report on the audited financial statements; and the effect(s) thereof, if any, on the summary financial statements; or
 - c(ii). The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon, if any. (Ref: Para. A15)

⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

⁸ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

⁹ ISA 570 (Revised), *Going Concern*, paragraph 22

¹⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹¹ ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*

2048. When the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 1614:

- (a) State that the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion;
- (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
- (c) State that, as a result of the adverse opinion or disclaimer of opinion on the audited financial statements, it is inappropriate to express an opinion on the summary financial statements. (Ref: Para. A23)

Modified Opinion on the Summary Financial Statements

2149. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A2345)

Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting

2220. When distribution or use of the auditor's report on the audited financial statements is restricted, or the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

Comparatives

2324. If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A2446)

2422. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ISA 710 requires the auditor to include in the auditor's report on the audited financial statements.¹² (Ref: Para. A2547)

Unaudited Supplementary Information Presented with Summary Financial Statements

2523. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A2648)

¹² ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

Other Information in Documents Containing Summary Financial Statements [see paragraphs 14 and 15]

~~24. The auditor shall read other information included in a document containing the summary financial statements and related auditor's report to identify material inconsistencies, if any, with the summary financial statements. If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the summary financial statements or the other information needs to be revised. If, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A19)~~

Auditor Association

2625. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A2720)

2726. The auditor may be engaged to report on the financial statements of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial statements audited by the auditor, the auditor shall be satisfied that:

- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial statements; and
- (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A2720)

Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5–6)

A1. The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this ISA. Application of this ISA will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.

- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
- The nature of the entity;
 - The purpose of the summary financial statements;
 - The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. Similar to the case of financial statements, as explained in ISA 210,¹³ in many such cases, the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarized nature and identify the audited financial statements;
 - (b) Clearly describe from whom or where the audited financial statements are available or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) Adequately disclose the applied criteria;
 - (d) Agree with or can be recalculated from the related information in the audited financial statements; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarized nature of the summary financial statements and the identity of the audited financial statements, as referred to in paragraph A6(a), may, for example, be provided by a title such as "Summary Financial Statements Prepared from the Audited Financial Statements for the Year Ended December 31, 20X1."

¹³ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraphs A3 and A8–A9

Evaluating the Availability of the Audited Financial Statements (Ref: Para. 8(g))

- A8. The auditor's evaluation whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial statements are available;
 - The audited financial statements are on public record; or
 - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

Form of Opinion (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor's decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial statements. When the auditor reports on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.

Other Information in Documents Containing Summary Financial Statements (Ref: Para. ~~14–15~~²⁴)

- ~~A10. ISA 720¹⁴ contains requirements and guidance relating to reading other information included in a document containing the audited financial statements and related auditor's report, and responding to material inconsistencies and material misstatements of fact. Adapted as necessary in the circumstances, they may be helpful in applying the requirement in paragraph 24.~~
- A11. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information in an audit of financial statements. In the context of ISA 720 (Revised), other information is financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. An annual report contains or accompanies the financial statements and the auditor's report thereon.
- A12. In contrast, paragraphs 14–15 deal with the auditor's responsibilities relating to information included in a document that also contains the summary financial statements and the auditor's report thereon. This information may include:
- Some or all of the same matters as those dealt with in the other information included in the annual report (e.g., when the summary financial statements and the auditor's report thereon are included in a summary annual report); or

¹⁴—ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

- Matters that are not dealt with in the other information included in the annual report.

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements¹⁵ require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Some or All of the Same Matters as the Other Information in the Annual Report

A14. When information is included in a document containing the summary financial statements and the auditor's report thereon and that information deals with some or all of the same matters as the other information included in the annual report, the work performed on that other information in accordance with ISA 720 (Revised) may be adequate for the purposes of paragraphs 14–15 of this ISA.

A15. When an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial statements and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Matters Not Dealt with in the Other Information in the Annual Report

A16. ISA 720 (Revised), adapted as necessary in the circumstances, may be helpful to the auditor in determining the appropriate action to respond to management's refusal to make necessary revisions to the information, including considering the implications for the auditor's report on the summary financial statements.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

Title (Ref: Para. 1614(a))

A1711. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 1614(b), 1715)

A1812. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

¹⁵ International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), paragraph 110.2

Introductory Paragraph Identification of the Summary Financial Statements (Ref: Para. ~~16~~14(c)(i))

~~A19~~13. When the auditor is aware that the summary financial statements will be included in a document that contains ~~other information other than the summary financial statements and the auditor's report thereon~~, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. ~~14(h)~~, ~~16(m)~~, 18)

~~A20~~14. The person or persons with recognized authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. 19)

~~A21.~~ Paragraph 19(i) of this ISA requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial statements includes communication of one or more key audit matters described in accordance with ISA 701.¹⁶ However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.

~~A22.~~ The statement(s) and description(s) required by paragraph 19 are intended to draw attention to those matters and are not a substitute for reading the auditor's report on the audited financial statements. The required descriptions are intended to convey the nature of the matter(s), and need not repeat the corresponding text in the auditor's report on the audited financial statements in its entirety.

Illustrations (Ref: Para. ~~14, 17–18~~16, 19–21)

~~A23~~15. The Appendix to this ISA contains illustrations of auditors' reports on summary financial statements that variously:

- (a) Contain unmodified opinions;
- (b) Are derived from audited financial statements on which the auditor issued modified opinions; and
- (c) Contain a modified opinion;:-
- (d) Are derived from audited financial statements where the auditor's report thereon includes a statement describing an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised); and
- (e) Are derived from audited financial statements where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Comparatives (Ref: Para. ~~23~~21–~~24~~22)

~~A24~~16. If the audited financial statements contain comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial

¹⁶ ISA 701, paragraph 13

statements may be regarded as corresponding figures or as comparative financial information. ISA 710 describes how this difference affects the auditor's report on the financial statements, including, in particular, reference to other auditors who audited the financial statements for the prior period.

A2517. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements (Ref: Para. 2523)

A2618. ISA 700 (Revised)¹⁷ contains requirements and guidance to be applied when unaudited supplementary information is presented with audited financial statements that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 2523.

Auditor Association (Ref: Para. 25–26–27)

A2720. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

¹⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 5346–5447

Appendix

(Ref: Para. A2345)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived. The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

Illustration 1:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements of a listed entity.
- Established criteria for the preparation of summary financial statements exist.
- The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial statements includes communication of other key audit matters.¹

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.~~

In our opinion, the accompanying summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a *fair summary of*) these the audited financial statements, in accordance with [describe established criteria]. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements. [Last sentence of this paragraph moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

¹ As explained in paragraph 15 of ISA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraph 22 of ISA 570 (Revised).

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [Moved from penultimate sentence in first paragraph in the Opinion section and amended slightly for clarity] That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial statements. Note 6 of the audited financial statements indicates that ABC Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.
- The communication of other² key audit matters. [Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.]³

Management's⁴ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a summary of the~~the audited~~ financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Opinion

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, in accordance with [describe established criteria].~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

² In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

³ The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Illustration 2:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.~~⁵

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a fair summary of) ~~those the audited~~ financial statements, on the basis described in Note X. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [The audited financial statements are included in the 20X1 Annual Report. The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of other information within Management's Discussion and Analysis of the 20X1 Annual

⁵—When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

Report. Management's Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.] [Describe the uncorrected material misstatement of the other information]. [The first sentence of this paragraph moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

Management's⁶ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a-summary of ~~the audited~~ financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Opinion

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, on the basis described in Note X.~~

[Auditor's signature]

[~~Date of the auditor's report~~]

[Auditor's address]

[Date of the auditor's report]

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Illustration 3:

Circumstances include the following:

- **A qualified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**
- **The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary statement of financial position as at December 31, 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of ABC Company (the Company) for the year ended December 31, 20X1.⁷ We expressed a qualified audit opinion on those financial statements in our report dated February 15, 20X2 (~~see below~~).⁸

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or *a fair summary of*) ~~those the audited~~ financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company.

The Audited Financial Statements and Our Report Thereon

We expressed a qualified audit opinion on ~~The misstatement of the~~ audited financial statements ~~is described in our qualified audit opinion~~ in our report dated February 15, 20X2. The basis for oOur qualified audit opinion was ~~is based on the fact [that the company's inventories are carried in the statement of financial~~

⁷ When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

⁸ The positioning of this reference to the qualified opinion in the auditor's report on the audited financial statements in the Opinion paragraph on the summary financial statements assists users in understanding that although the auditor has expressed an unmodified opinion on the summary financial statements, the summary financial statements reflect audited financial statements that are materially misstated.

position in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards]. The Company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, ~~(or give a true and fair view of)~~ the financial position of ABC Company as at December 31, 20X1, and ~~(of)~~ its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. [This paragraph moved up from the *Opinion* section below and amended for clarity]

Management's⁹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a summary of the audited financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with ~~(or a fair summary of)~~ those financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1.

The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated February 15, 20X2. Our qualified audit opinion is based on the fact that the company's inventories are carried in the statement of financial position in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, ~~(or give a true and fair view of)~~ the financial position of ABC Company as at December 31, 20X1, and ~~(of)~~ its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Auditor's signature]

⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

~~[Date of the auditor's report]~~

[Auditor's address]

[Date of the auditor's report]

Illustration 4:

Circumstances include the following:

- An adverse opinion is expressed on the audited financial statements.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Denial of Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.⁴⁰

~~As a result of the adverse opinion on the audited financial statements~~ ~~Because of the significance of the matter discussed in *The Audited Financial Statements and our Report Thereon* section of our report above,~~ it is inappropriate to express an opinion on the ~~accompanying summary financial statements of ABC Company for the year ended December 31, 20X1.~~ [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company.

The Audited Financial Statements and Our Report Thereon

In our report dated February 15, 20X2, we expressed an adverse opinion on the audited financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse opinion was [describe basis for adverse audit opinion]. ~~Our adverse opinion stated that [describe adverse opinion].~~ [Moved from *Denial of Opinion* section below and amended slightly for clarity]

Management's¹¹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a summary of the audited financial statements on the basis described in Note X.

⁴⁰ ~~When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."~~

¹¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Denial of Opinion

~~In our report dated February 15, 20X2, we expressed an adverse audit opinion on the financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion]. Our adverse audit opinion stated that [describe adverse audit opinion].~~

~~Because of the significance of the matter discussed above, it is inappropriate to express an opinion on the summary financial statements of ABC Company for the year ended December 31, 20X1.~~

~~[Auditor's signature]~~

~~[Date of the auditor's report]~~

~~[Auditor's address]~~

~~[Date of the auditor's report]~~

Illustration 5:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements.
- Established criteria for the preparation of summary financial statements exist.
- The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Adverse Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on these financial statements in our report dated February 15, 20X2.~~¹²

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion* section~~paragraph~~, the accompanying summary financial statements ~~referred to above~~ are not consistent with (or a *fair summary of*) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria]. [Adverse opinion paragraph and heading moved up from below]

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or a *fair summary of*) the audited financial statements, in accordance with the applied criteria. [Moved the *Basis for Adverse Opinion* section up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon ~~of ABC Company~~.

¹² When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [Moved from last sentence in first paragraph above and amended slightly for clarity]

Management's¹³ Responsibility for the Summary Audited Financial Statements

Management is responsible for the preparation of the a-summary of ~~the audited~~ financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Adverse Opinion

~~In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the summary financial statements referred to above are not consistent with (or a fair summary of) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria].~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

¹³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

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EXPOSURE DRAFT

ED 03/16

(June 2016)

Proposed Auditing Standard ASA 810

Engagements to Report on Summary Financial Statements

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

Draft

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Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 25 July 2016. Comments should be addressed to:

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Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

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Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 03/16

The AUASB issues Exposure Draft ED 03/16 of proposed Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 810 *Engagements to Report on Summary Financial Statements* and will replace the current ASA 810 issued by the AUASB in December 2015.

This proposed Auditing Standard contains differences from the revised ISA 810, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods [commencing ending](#) on or after 16 December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 810 *Engagements to Report on Summary Financial Statements* by no later than **25 July 2016**. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
4. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 810 *Engagements to Report on Summary Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 810.

Draft

AUDITING STANDARD ASA 810

Engagements to Report on Summary Financial Statements

Application

- Aus 0.1 This Auditing Standard applies to an auditor's responsibilities to report on summary financial statements that are derived from a financial report, or a complete set of financial statements, audited in accordance with Australian Auditing Standards, by the same auditor.

Operative Date

- Aus 0.2 This Auditing Standard is operative for financial reporting periods ending on or after 16 December 2016.

Introduction

Scope of this Auditing Standard

1. This Australian Standard on Auditing deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from a financial report audited in accordance with Australian Auditing Standards by that same auditor.
4. [Aus 1.1 Where an entity prepares a concise financial report in accordance with paragraph 314\(2\)\(a\) in Part 2M.3 of the Corporations Act 2001, an auditor's report thereon is required under paragraph 314\(2\)\(c\) in Part 2M.3 of the Corporations Act 2001. The minimum content of the concise financial report is determined by the Australian Accounting Standards Board and is set out in AASB 1039 Concise Financial Reports. The Appendix \[Aus\] Illustration 6 provides an example unmodified Auditor's Report on a Concise Financial Report prepared under section 314 of the Corporations Act 2001.](#)

Effective Date

2. [\[Deleted by the AUASB. Refer Aus 0.2\]](#)

Objectives

3. The objectives of the auditor are:
- (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
 - (b) If engaged to report on summary financial statements:
 - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

4. For purposes of this [ASA Auditing Standard](#), the following terms have the meanings attributed below

- (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
- (b) Audited financial report – Financial report¹ audited by the auditor in accordance with [ASAs Australian Auditing Standards](#), and from which the summary financial statements are derived.
- (c) Summary financial statements – Historical financial information that is derived from a financial report but that contains less detail than the financial report, while still providing a structured representation consistent with that provided by the financial report of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.² Different jurisdictions may use different terminology to describe such historical financial information.

Requirements

Engagement Acceptance

- 5. The auditor shall accept an engagement to report on summary financial statements in accordance with this [ASA Auditing Standard](#) only when the auditor has been engaged to conduct an audit in accordance with [ASAs Australian Auditing Standards](#) of the financial report from which the summary financial statements are derived. (Ref: Para. A1)
- 6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
 - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3–A7)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
 - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
 - (ii) To make the audited financial report available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
 - (iii) To include the auditor's report on the summary financial report in any document that contains the summary financial report and that indicates that the auditor has reported on them.
 - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9–11).
- 7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this [ASA Auditing Standard](#). Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this [ASA Auditing Standard](#). The auditor shall include appropriate reference

¹ ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with [International Standards on Auditing Australian Auditing Standards](#), paragraph [Aus 13.2\(f\)](#), defines the term "financial statements report."

² See ASA 200, paragraph 3(f).

to this fact in the terms of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial report from which the summary financial statements are derived.

Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
- (a) Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial report.
 - (b) When summary financial statements are not accompanied by the audited financial report, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial report ~~are~~ is available; or
 - (ii) The law or regulation that specifies that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
 - (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
 - (d) Compare the summary financial statements with the related information in the audited financial report to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial report.
 - (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
 - (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
 - (g) Evaluate whether the audited financial report ~~are~~ is available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

Form of Opinion

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
- (a) The accompanying summary financial statements are consistent, in all material respects, with the audited financial report, in accordance with [*the applied criteria*]; or
 - (b) The accompanying summary financial statements are a fair summary of the audited financial report, in accordance with [*the applied criteria*].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
- (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and

- (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this [ASA Auditing Standard](#). Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this [ASA Auditing Standard](#).

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Report

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial report. In such cases, the auditor's report on the summary financial statement shall state that the summary financial statements and audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report. (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial report, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial report in accordance with ASA 560³ has been completed.

Information in Documents Containing Summary Financial Statements

14. The auditor shall read the information included in a document containing the summary financial statements and the auditor's report thereon and consider whether there is a material inconsistency, between that information and the summary financial statements.
15. If the auditor identifies a material inconsistency, the auditor shall discuss the matter with management and determine whether the summary financial statements or the information included in the document containing the summary financial statements and the auditor's report thereon needs to be revised. If the auditor determines that the information needs to be revised and management refuses to revise the information as necessary, the auditor shall take appropriate action in the circumstances, including considering the implications for the auditor's report on the summary financial statements. (Ref: Para. A11–A16)

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

16. The auditor's report on summary financial statements shall include the following elements:⁴ (Ref: Para. A23)
- (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A17)
 - (b) An addressee. (Ref: Para. A18)

³ ASA 560 *Subsequent Events*.

⁴ Paragraphs 19-20, which deal with circumstances where the auditor's report on the audited financial [statements-report](#) has been modified, require additional elements to those listed in this paragraph.

- (c) Identification of the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements. (Ref: Para. A19)
 - (d) Identification of the audited financial report.
 - (e) Subject to paragraph 20, a clear expression of an opinion (see paragraphs 9–11).
 - (f) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial report, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial report and the auditor's report thereon.
 - (g) Where applicable, the statement required by paragraph 12.
 - (h) Reference to the auditor's report on the audited financial report, the date of that report, and, subject to paragraphs 19–20, the fact that an unmodified opinion is expressed on the audited financial report.
 - (i) A description of management's⁵ responsibility for the summary financial statements, explaining that management⁶ is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
 - (j) A statement that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted in accordance with this [ASA Auditing Standard](#), on whether the summary financial statements are consistent, in all material respects, with [or are a fair summary of] the audited financial report ~~based~~.
 - (k) The auditor's signature.
 - (l) The auditor's address.
 - (m) The date of the auditor's report. (Ref: Para. A20)
17. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial report, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A18)
18. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A20)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognised authority have asserted that they have taken responsibility for them; and
 - (b) The date of the auditor's report on the audited financial report.

Reference [to](#) the Auditor's Report on the Audited Financial Report (Ref: Para. A23)

19. When the auditor's report on the audited financial report includes:

- (a) A qualified opinion in accordance with ASA 705; ~~(Revised)~~⁷

⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁷ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

- (b) An Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with ASA 706;⁸
- (c) A *Material Uncertainty Related to Going Concern* section in accordance with ASA 570;⁹
- (d) Communication of key audit matters in accordance with ASA 701;¹⁰ or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹¹

and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial report, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (i) State that the auditor's report on the audited financial report includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a *Material Uncertainty Related to Going Concern* section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
- (ii) Describe: (Ref: Para. A22)
 - a. The basis for the qualified opinion on the audited financial report, and the effect thereof, if any, on the summary financial statements;
 - b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, or the *Material Uncertainty Related to Going Concern* section in the auditor's report on the audited financial report; and the effect(s) thereof, if any, on the summary financial statements; or
 - c. The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon. (Ref: Para. A15)

20. When the auditor's report on the audited financial report contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (a) State that the auditor's report on the audited financial report contains an adverse opinion or disclaimer of opinion;
- (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
- (c) State that, as a result of the adverse opinion or disclaimer of opinion on the audited financial report, it is inappropriate to express an opinion on the summary financial statements. (Ref: Para. A23)

Modified Opinion on the Summary Financial Statements

21. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial report, in accordance with the applied criteria, and

⁸ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

⁹ ASA 570 *Going Concern*, paragraph 22.

¹⁰ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

¹¹ ASA 720 *The Auditor's Responsibilities Related to Other Information*.

management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A23)

Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting

22. When distribution or use of the auditor's report on the audited financial report is restricted, or the auditor's report on the audited financial report alerts readers that the audited financial report ~~are~~^{is} prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

Comparatives

23. If the audited financial report contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A24)
24. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ASA 710 requires the auditor to include in the auditor's report on the audited financial report.¹² (Ref: Para. A25)

Unaudited Supplementary Information Presented with Summary Financial Statements

25. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A26)

[\[see paragraphs 14 and 15\]](#)

Auditor Association

26. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A27)
27. The auditor may be engaged to report on the financial report of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial report audited by the auditor, the auditor shall be satisfied that:
- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial report; and

¹² ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial* [Statements/Reports](#).

- (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A27)

* * *

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Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5–6)

- A1. The audit of the financial report from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this [ASA Auditing Standard](#). Application of this [ASA Auditing Standard](#) will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial report from which the summary financial statements are derived.
- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial report. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
- The nature of the entity;
 - The purpose of the summary financial statements;
 - The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorised or recognised standards setting organisation or by law or regulation. Similar to the case of a financial report, as explained in ASA 210,¹³ in many such cases, the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarised nature and identify the audited financial report;
 - (b) Clearly describe from whom or where the audited financial report [are-is](#) available or, if law or regulation provides that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) Adequately disclose the applied criteria;

¹³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraphs A3 and A8–A9.

- (d) Agree with or can be recalculated from the related information in the audited financial report; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarised nature of the summary financial statements and the identity of the audited financial report, as referred to in paragraph A6(a), may, for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Report for the Year Ended 13 December 20X1.”

Evaluating the Availability of the Audited Financial Report (Ref: Para. 8(g))

- A8. The auditor’s evaluation whether the audited financial report are is available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial report is available;
 - The audited financial report are is on public record; or
 - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial report.

Form of Opinion (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor’s decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Report (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial report. When the auditor reports on the summary financial statements after the completion of the audit of the financial report, the auditor is not required to obtain additional audit evidence on the audited financial report, or report on the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial report since the summary financial statements are derived from the audited financial report and do not update them.

Information in Documents Containing Summary Financial Statements (Ref: Para. 14–15)

- A11. ASA 720-~~(Revised)~~ deals with the auditor’s responsibilities relating to other information in an audit of a financial report. In the context of ASA 720-~~(Revised)~~, other information is financial or non-financial information (other than a financial report and the auditor’s report thereon) included in an entity’s annual report. An annual report contains or accompanies the financial report and the auditor’s report thereon.
- A12. In contrast, paragraphs 14–15 deal with the auditor’s responsibilities relating to information included in a document that also contains the summary financial statements and the auditor’s report thereon. This information may include:

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- Some or all of the same matters as those dealt with in the other information included in the annual report (e.g., when the summary financial statements and the auditor's report thereon are included in a summary annual report); or
- Matters that are not dealt with in the other information included in the annual report.

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements¹⁴ require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Some or All of the Same Matters as the Other Information in the Annual Report

A14. When information is included in a document containing the summary financial statements and the auditor's report thereon and that information deals with some or all of the same matters as the other information included in the annual report, the work performed on that other information in accordance with ASA 720-~~(Revised)~~ may be adequate for the purposes of paragraphs 14–15 of this Auditing Standard.

A15. When an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial report and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Matters Not Dealt with in the Other Information in the Annual Report

A16. ASA 720, adapted as necessary in the circumstances, may be helpful to the auditor in determining the appropriate action to respond to management's refusal to make necessary revisions to the information, including considering the implications for the auditor's report on the summary financial statements.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

Title (Ref: Para. 16(a))

A17. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 16(b), 17)

A18. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

¹⁴ [International Ethics Standards Board for Accountants' Accounting Professional & Ethical Standards Board APES 110 - Code of Ethics for Professional Accountants \(IESBA Code\)](#), paragraph 110.2

Identification of the Summary Financial Statements (Ref: Para. 16(c))

- A19. When the auditor is aware that the summary financial statements will be included in a document that contains information other than the summary financial statements and the auditor's report thereon, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. 16(m), 18)

- A20. The person or persons with recognised authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Reference to the Auditor's Report on the Audited Financial Report (Ref: Para. 19)

- A21. Paragraph 19(i) of this [ASA Auditing Standard](#) requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial report includes communication of one or more key audit matters described in accordance with ASA 701.¹⁵ However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.
- A22. The statement(s) and description(s) required by paragraph 19 are intended to draw attention to those matters and are not a substitute for reading the auditor's report on the audited financial report. The required descriptions are intended to convey the nature of the matter(s), and need not repeat the corresponding text in the auditor's report on the audited financial report in its entirety.

Illustrations (Ref: Para. 16, 19–21)

- A23. The Appendix to this [ASA Auditing Standard](#) contains illustrations of auditors' reports on summary financial statements that variously:
- (a) Contain unmodified opinions;
 - (b) Are derived from an audited financial report on which the auditor issued modified opinions;
 - (c) Contain a modified opinion;
 - (d) Are derived from an audited financial report where the auditor's report thereon includes a statement describing an uncorrected material misstatement of the other information in accordance with ASA 720; and
 - (e) Are derived from an audited financial report where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Comparatives (Ref: Para. 23–24)

- A24. If the audited financial report contains comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial report may be regarded as corresponding figures or as comparative financial information. ASA 710 describes how this difference affects the auditor's report on the financial report, including, in particular, reference to other auditors who audited the financial report for the prior period.

¹⁵ ASA 701, paragraph 13.

- A25. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements

(Ref: Para. 25)

- A26. ASA 700¹⁶ contains requirements and guidance to be applied when unaudited supplementary information is presented with [an](#) audited financial report that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 25.

Auditor Association (Ref: Para. 26–27)

- A27. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

Draft

¹⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Statements Report*, paragraphs 53–54.

Appendix 1

(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial report from which summary financial statements are derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived. The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial report. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- [\[Aus\] Illustration 6: An auditor's report on a Concise Financial Report prepared under section 314 of the Corporations Act 2001. An unmodified opinion is expressed on the audited financial report. The auditor's report on the Concise Financial Report is dated later than the date of the auditor's report on the financial report from which Concise Financial Report is derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.](#)

Illustration 1:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report of a listed entity.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of summary financial statements exist.
- The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial report from which the summary financial statements are derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial report includes communication of other key audit matters.¹⁷

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary ~~balance sheet~~statement of financial position as at 31 December 20X1, the summary ~~income statement~~statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or a *fair summary* of) the audited financial report, in accordance with [describe established criteria]. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report. [Last sentence of this paragraph moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. [Moved from penultimate sentence in first paragraph in the *Opinion* section and amended slightly for clarity] That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company

¹⁷ As explained in paragraph 15 of ASA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraph 22 of ASA 570.

incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.

- The communication of other¹⁸ key audit matters. [Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.]¹⁹

Management's²⁰ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with [Australian Standard on Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements](#).

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 2:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
-
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.

¹⁸ In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

¹⁹ The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

²⁰ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary ~~balance sheet~~statement of financial position as at 31 December 20X1, the summary ~~income statement~~statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or *a fair summary of*) the audited financial report, on the basis described in Note X. ~~[Opinion paragraph and heading moved up from below]~~

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. [The audited financial report ~~are~~is included in the 20X1 Annual Report. The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of other information within Management's Discussion and Analysis of the 20X1 Annual Report. Management's Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.] ~~[Describe the uncorrected material misstatement of the other information]. [The first sentence of this paragraph moved from last sentence in first paragraph in the Opinion section and amended slightly for clarity]~~

Management's²¹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the ~~a summary of the audited~~ summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with ~~Australian Standard on Auditing~~Standard (ASA) 810 Engagements to Report on Summary Financial Statements.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

²¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Illustration 3:

Circumstances include the following:

- A qualified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial report of ABC Company (the Company) for the year ended 31 December 20X1. We expressed a qualified audit opinion on this financial report in our report dated 15 February 20X2.²²

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or *a fair summary of*) the audited financial report, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial report of ABC Company for the year ended 31 December 20X1. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial ~~report~~ Report and Our Report Thereon

We expressed a qualified audit opinion on the audited financial report in our report dated 15 February 20X2. The basis for our qualified audit opinion was [that management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from Australian Financial Reporting Accounting Standards]. The Company's records indicate that had management stated the inventories at the lower of cost and net realisable value, an amount of xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. [This paragraph moved up from the Opinion section below and amended for clarity]

²² The positioning of this reference to the qualified opinion in the auditor's report on the audited financial statements-report in the Opinion paragraph on the summary financial statements assists users in understanding that although the auditor has expressed an unmodified opinion on the summary financial statements, the summary financial statements reflect the audited financial statements-report that are-is materially misstated.

Management's²³ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with [Australian Standard on Auditing Standard \(ASA\)-810 Engagements to Report on Summary Financial Statements](#).

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 4:

Circumstances include the following:

- [An adverse opinion is expressed on the audited financial report.](#)
- [The summary financial statements are *not* prepared under the Corporations Act 2001.](#)
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Denial of Opinion

The summary financial statements, which comprise the summary ~~balance sheet~~[statement of financial position](#) as at 31 December 20X1, the summary ~~income statement~~[statement of comprehensive income](#), summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

As a result of the adverse opinion on the audited financial report discussed in *The Audited Financial ~~report~~ Report* and our *Report Thereon* section of our report, it is inappropriate to express an opinion on the accompanying summary financial statements. [\[Opinion paragraph and heading moved up from below\]](#)

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company].

²³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Proposed Auditing Standard ASA 810 Engagements to Report on Summary Financial Statements

Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

In our report dated 15 February 20X2, we expressed an adverse opinion on the audited financial report of ABC Company for the year ended 31 December 31 20X1. The basis for our adverse opinion was [describe basis for adverse audit opinion]. ~~[Moved from Denial of Opinion section below and amended slightly for clarity]~~

Management's²⁴ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the ~~a~~ summary ~~of the audited~~ financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial ~~report~~ statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with ~~Australian Standard on Auditing Standard (ASA)~~ 810 *Engagements to Report on Summary Financial* ~~report~~ Statements.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 5:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of summary financial statements exist.
- The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Adverse Opinion

The summary financial statements, which comprise the summary ~~balance sheet~~ statement of financial position as at 31 December 20X1, the summary ~~income statement~~ statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended,

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion* section, the accompanying summary financial statements are not consistent with (or a *fair summary of*) the audited financial report of ABC Company for the year ended 31 December 20X1, in accordance with [describe established criteria]. [\[Adverse opinion paragraph and heading moved up from below\]](#)

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or a *fair summary of*) the audited financial report, in accordance with the applied criteria. [\[Moved the Basis for Adverse Opinion section up from below\]](#)

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial ~~report~~ Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. [\[Moved from last sentence in first paragraph above and amended slightly for clarity\]](#)

Management's²⁵ Responsibility for the Summary Audited Financial ~~report~~ Statements

Management is responsible for the preparation of the a summary financial ~~report~~ statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial ~~report~~ statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with ~~Australian Standard on Auditing Standard (ASA)~~ 810 *Engagements to Report on Summary Financial ~~report~~ Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

[\[Aus\] Illustration 6:](#)

[Circumstances include the following:](#)

- [• An unmodified opinion is expressed on the audited financial report of an entity other than a listed entity.](#)
- [• The Concise Financial Report is prepared under the *Corporations Act 2001*.](#)

²⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

- Established criteria for the preparation of the concise financial report exist.
- The auditor's report on the concise financial report is dated later than the date of the auditor's report on the financial report from which the concise financial report is derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial report was not required to communicate key audit matters in accordance with ASA 701.

Report of the Independent Auditor on the Concise Financial Report*

[Appropriate Addressee]

Opinion

The Concise Financial Report, which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity, statement of cash flows[#] for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1 [and the discussion and analysis[†]][§].

In our opinion, the concise financial report [including the discussion and analysis[‡]] complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Concise Financial Report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the concise financial report.

* The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports*. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

† A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (AASB 1039 paragraphs 24-25).

§ As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

‡ Include when a discussion and analysis has been included in the concise financial report

Responsibilities of Management* and Those Charged with Governance for the Concise Financial Report

Management is responsible for the preparation of the concise financial report in accordance with in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as management determines is necessary to enable the preparation of the concise financial report.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the concise financial report, in all material respects, complies with AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*][#] based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Report on Other Legal and Regulatory Requirements[†]

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature[§]]

[Auditor's address]

[Date of the auditor's report]

* Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039, paragraph 24.

† Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

§ The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 810 and Existing ASA 810

Summary of Main Differences — ASA 810 and Existing ASA 810

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 810. This summary should not be used as a complete list of all changes made.

- New and amended requirements and application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 810 (Proposed Revised) engagements, particularly in relation to a material uncertainty related to going concern, communication of key audit matters and uncorrected material misstatement of other information.
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.

Draft

EXPOSURE DRAFT

ED 03/16

(June 2016)

Proposed Auditing Standard ASA 810

Engagements to Report on Summary Financial Statements

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

Draft

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 25 July 2016. Comments should be addressed to:

The Chairman
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Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 03/16

The AUASB issues Exposure Draft ED 03/16 of proposed Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 810 *Engagements to Report on Summary Financial Statements* and will replace the current ASA 810 issued by the AUASB in December 2015.

This proposed Auditing Standard contains differences from the revised ISA 810, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ending on or after 16 December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 810 *Engagements to Report on Summary Financial Statements* by no later than **25 July 2016**. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?
4. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 810 *Engagements to Report on Summary Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 810.

Draft

AUDITING STANDARD ASA 810

Engagements to Report on Summary Financial Statements

Application

- Aus 0.1 This Auditing Standard applies to an auditor's responsibilities to report on summary financial statements that are derived from a financial report, or a complete set of financial statements, audited in accordance with Australian Auditing Standards, by the same auditor.

Operative Date

- Aus 0.2 This Auditing Standard is operative for financial reporting periods ending on or after 16 December 2016.

Introduction

Scope of this Auditing Standard

1. This Australian Standard on Auditing deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from a financial report audited in accordance with Australian Auditing Standards by that same auditor.
- Aus 1.1 Where an entity prepares a concise financial report in accordance with paragraph 314(2)(a) in Part 2M.3 of the *Corporations Act 2001*, an auditor's report thereon is required under paragraph 314(2)(c) in Part 2M.3 of the *Corporations Act 2001*. The minimum content of the concise financial report is determined by the Australian Accounting Standards Board and is set out in AASB 1039 *Concise Financial Reports*. The Appendix [Aus] Illustration 6 provides an example unmodified Auditor's Report on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001*.

Effective Date

2. [Deleted by the AUASB. Refer Aus 0.2]

Objectives

3. The objectives of the auditor are:
- (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
 - (b) If engaged to report on summary financial statements:
 - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

4. For purposes of this Auditing Standard, the following terms have the meanings attributed below:

- (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
- (b) Audited financial report – Financial report¹ audited by the auditor in accordance with Australian Auditing Standards, and from which the summary financial statements are derived.
- (c) Summary financial statements – Historical financial information that is derived from a financial report but that contains less detail than the financial report, while still providing a structured representation consistent with that provided by the financial report of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.² Different jurisdictions may use different terminology to describe such historical financial information.

Requirements

Engagement Acceptance

- 5. The auditor shall accept an engagement to report on summary financial statements in accordance with this Auditing Standard only when the auditor has been engaged to conduct an audit in accordance with Australian Auditing Standards of the financial report from which the summary financial statements are derived. (Ref: Para. A1)
- 6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
 - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3–A7)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
 - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
 - (ii) To make the audited financial report available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
 - (iii) To include the auditor's report on the summary financial report in any document that contains the summary financial report and that indicates that the auditor has reported on them.
 - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9–11).
- 7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this Auditing Standard. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this Auditing Standard. The auditor shall include appropriate reference to this fact in the terms

¹ ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph Aus 13.2, defines the term "financial report."

² See ASA 200, paragraph 3(f).

of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial report from which the summary financial statements are derived.

Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
- (a) Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial report.
 - (b) When summary financial statements are not accompanied by the audited financial report, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial report is available; or
 - (ii) The law or regulation that specifies that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
 - (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
 - (d) Compare the summary financial statements with the related information in the audited financial report to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial report.
 - (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
 - (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
 - (g) Evaluate whether the audited financial report is available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

Form of Opinion

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
- (a) The accompanying summary financial statements are consistent, in all material respects, with the audited financial report, in accordance with [*the applied criteria*]; or
 - (b) The accompanying summary financial statements are a fair summary of the audited financial report, in accordance with [*the applied criteria*].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
- (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and

- (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this Auditing Standard. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this Auditing Standard.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Report

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial report. In such cases, the auditor's report on the summary financial statement shall state that the summary financial statements and audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report. (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial report, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial report in accordance with ASA 560³ has been completed.

Information in Documents Containing Summary Financial Statements

14. The auditor shall read the information included in a document containing the summary financial statements and the auditor's report thereon and consider whether there is a material inconsistency, between that information and the summary financial statements.
15. If the auditor identifies a material inconsistency, the auditor shall discuss the matter with management and determine whether the summary financial statements or the information included in the document containing the summary financial statements and the auditor's report thereon needs to be revised. If the auditor determines that the information needs to be revised and management refuses to revise the information as necessary, the auditor shall take appropriate action in the circumstances, including considering the implications for the auditor's report on the summary financial statements. (Ref: Para. A11–A16)

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

16. The auditor's report on summary financial statements shall include the following elements:⁴ (Ref: Para. A23)
- (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A17)
 - (b) An addressee. (Ref: Para. A18)

³ ASA 560 *Subsequent Events*.

⁴ Paragraphs 19-20, which deal with circumstances where the auditor's report on the audited financial report has been modified, require additional elements to those listed in this paragraph.

- (c) Identification of the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements. (Ref: Para. A19)
 - (d) Identification of the audited financial report.
 - (e) Subject to paragraph 20, a clear expression of an opinion (see paragraphs 9–11).
 - (f) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial report, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial report and the auditor's report thereon.
 - (g) Where applicable, the statement required by paragraph 12.
 - (h) Reference to the auditor's report on the audited financial report, the date of that report, and, subject to paragraphs 19–20, the fact that an unmodified opinion is expressed on the audited financial report.
 - (i) A description of management's⁵ responsibility for the summary financial statements, explaining that management⁶ is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
 - (j) A statement that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted in accordance with this Auditing Standard, on whether the summary financial statements are consistent, in all material respects, with [or *are a fair summary of*] the audited financial report.
 - (k) The auditor's signature.
 - (l) The auditor's address.
 - (m) The date of the auditor's report. (Ref: Para. A20)
17. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial report, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A18)
18. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A20)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognised authority have asserted that they have taken responsibility for them; and
 - (b) The date of the auditor's report on the audited financial report.

Reference to the Auditor's Report on the Audited Financial Report (Ref: Para. A23)

19. When the auditor's report on the audited financial report includes:
- (a) A qualified opinion in accordance with ASA 705;⁷

⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁷ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

- (b) An Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with ASA 706;⁸
- (c) A *Material Uncertainty Related to Going Concern* section in accordance with ASA 570;⁹
- (d) Communication of key audit matters in accordance with ASA 701;¹⁰ or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹¹

and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial report, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (i) State that the auditor's report on the audited financial report includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a *Material Uncertainty Related to Going Concern* section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
- (ii) Describe: (Ref: Para. A22)
 - a. The basis for the qualified opinion on the audited financial report, and the effect thereof, if any, on the summary financial statements;
 - b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, or the *Material Uncertainty Related to Going Concern* section in the auditor's report on the audited financial report; and the effect(s) thereof, if any, on the summary financial statements; or
 - c. The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon. (Ref: Para. A15)

20. When the auditor's report on the audited financial report contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (a) State that the auditor's report on the audited financial report contains an adverse opinion or disclaimer of opinion;
- (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
- (c) State that, as a result of the adverse opinion or disclaimer of opinion on the audited financial report, it is inappropriate to express an opinion on the summary financial statements. (Ref: Para. A23)

Modified Opinion on the Summary Financial Statements

21. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial report, in accordance with the applied criteria, and

⁸ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

⁹ ASA 570 *Going Concern*, paragraph 22.

¹⁰ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

¹¹ ASA 720 *The Auditor's Responsibilities Related to Other Information*.

management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A23)

Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting

22. When distribution or use of the auditor's report on the audited financial report is restricted, or the auditor's report on the audited financial report alerts readers that the audited financial report is prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

Comparatives

23. If the audited financial report contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A24)
24. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ASA 710 requires the auditor to include in the auditor's report on the audited financial report.¹² (Ref: Para. A25)

Unaudited Supplementary Information Presented with Summary Financial Statements

25. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A26)

Auditor Association

26. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A27)
27. The auditor may be engaged to report on the financial report of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial report audited by the auditor, the auditor shall be satisfied that:
- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial report; and
 - (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

¹² ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial Reports*.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A27)

* * *

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Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5–6)

- A1. The audit of the financial report from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this Auditing Standard. Application of this Auditing Standard will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial report from which the summary financial statements are derived.
- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial report. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
- The nature of the entity;
 - The purpose of the summary financial statements;
 - The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorised or recognised standards setting organisation or by law or regulation. Similar to the case of a financial report, as explained in ASA 210,¹³ in many such cases, the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarised nature and identify the audited financial report;
 - (b) Clearly describe from whom or where the audited financial report is available or, if law or regulation provides that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) Adequately disclose the applied criteria;

¹³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraphs A3 and A8–A9.

- (d) Agree with or can be recalculated from the related information in the audited financial report; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarised nature of the summary financial statements and the identity of the audited financial report, as referred to in paragraph A6(a), may, for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Report for the Year Ended 13 December 20X1.”

Evaluating the Availability of the Audited Financial Report (Ref: Para. 8(g))

- A8. The auditor’s evaluation whether the audited financial report is available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial report is available;
 - The audited financial report is on public record; or
 - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial report.

Form of Opinion (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor’s decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Report (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial report. When the auditor reports on the summary financial statements after the completion of the audit of the financial report, the auditor is not required to obtain additional audit evidence on the audited financial report, or report on the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial report since the summary financial statements are derived from the audited financial report and do not update them.

Information in Documents Containing Summary Financial Statements (Ref: Para. 14–15)

- A11. ASA 720 deals with the auditor’s responsibilities relating to other information in an audit of a financial report. In the context of ASA 720, other information is financial or non-financial information (other than a financial report and the auditor’s report thereon) included in an entity’s annual report. An annual report contains or accompanies the financial report and the auditor’s report thereon.
- A12. In contrast, paragraphs 14–15 deal with the auditor’s responsibilities relating to information included in a document that also contains the summary financial statements and the auditor’s report thereon. This information may include:

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Engagements to Report on Summary Financial Statements

- Some or all of the same matters as those dealt with in the other information included in the annual report (e.g., when the summary financial statements and the auditor's report thereon are included in a summary annual report); or
- Matters that are not dealt with in the other information included in the annual report.

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements¹⁴ require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Some or All of the Same Matters as the Other Information in the Annual Report

- A14. When information is included in a document containing the summary financial statements and the auditor's report thereon and that information deals with some or all of the same matters as the other information included in the annual report, the work performed on that other information in accordance with ASA 720 may be adequate for the purposes of paragraphs 14–15 of this Auditing Standard.
- A15. When an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial report and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Matters Not Dealt with in the Other Information in the Annual Report

- A16. ASA 720, adapted as necessary in the circumstances, may be helpful to the auditor in determining the appropriate action to respond to management's refusal to make necessary revisions to the information, including considering the implications for the auditor's report on the summary financial statements.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

Title (Ref: Para. 16(a))

- A17. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 16(b), 17)

- A18. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

¹⁴ Accounting Professional & Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*, paragraph 110.2

Identification of the Summary Financial Statements (Ref: Para. 16(c))

- A19. When the auditor is aware that the summary financial statements will be included in a document that contains information other than the summary financial statements and the auditor's report thereon, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. 16(m), 18)

- A20. The person or persons with recognised authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Reference to the Auditor's Report on the Audited Financial Report (Ref: Para. 19)

- A21. Paragraph 19(i) of this Auditing Standard requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial report includes communication of one or more key audit matters described in accordance with ASA 701.¹⁵ However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.
- A22. The statement(s) and description(s) required by paragraph 19 are intended to draw attention to those matters and are not a substitute for reading the auditor's report on the audited financial report. The required descriptions are intended to convey the nature of the matter(s), and need not repeat the corresponding text in the auditor's report on the audited financial report in its entirety.

Illustrations (Ref: Para. 16, 19–21)

- A23. The Appendix to this Auditing Standard contains illustrations of auditors' reports on summary financial statements that variously:
- (a) Contain unmodified opinions;
 - (b) Are derived from an audited financial report on which the auditor issued modified opinions;
 - (c) Contain a modified opinion;
 - (d) Are derived from an audited financial report where the auditor's report thereon includes a statement describing an uncorrected material misstatement of the other information in accordance with ASA 720; and
 - (e) Are derived from an audited financial report where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Comparatives (Ref: Para. 23–24)

- A24. If the audited financial report contains comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial report may be regarded as corresponding figures or as comparative financial information. ASA 710 describes how this difference affects the auditor's report on the financial report, including, in particular, reference to other auditors who audited the financial report for the prior period.

¹⁵ ASA 701, paragraph 13.

- A25. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements

(Ref: Para. 25)

- A26. ASA 700¹⁶ contains requirements and guidance to be applied when unaudited supplementary information is presented with an audited financial report that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 25.

Auditor Association (Ref: Para. 26–27)

- A27. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

¹⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraphs 53–54.

Appendix 1

(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial report from which summary financial statements are derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived. The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial report. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- [Aus] Illustration 6: An auditor's report on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001*. An unmodified opinion is expressed on the audited financial report. The auditor's report on the Concise Financial Report is dated later than the date of the auditor's report on the financial report from which Concise Financial Report is derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Illustration 1:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report of a listed entity.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of summary financial statements exist.
- The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial report from which the summary financial statements are derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial report includes communication of other key audit matters.¹⁷

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or a *fair summary of*) the audited financial report, in accordance with [describe established criteria].

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a

¹⁷ As explained in paragraph 15 of ASA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraph 22 of ASA 570.

material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.

- The communication of other¹⁸ key audit matters. [Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.]¹⁹

Management's²⁰ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 2:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

¹⁸ In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

¹⁹ The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

²⁰ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or *a fair summary of*) the audited financial report, on the basis described in Note X.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. [The audited financial report is included in the 20X1 Annual Report. The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of other information within Management's Discussion and Analysis of the 20X1 Annual Report. Management's Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.] [*Describe the uncorrected material misstatement of the other information*].

Management's²¹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 3:

Circumstances include the following:

- A qualified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.

²¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial report of ABC Company (the Company) for the year ended 31 December 20X1. We expressed a qualified audit opinion on this financial report in our report dated 15 February 20X2.²²

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or *a fair summary of*) the audited financial report, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial report of ABC Company for the year ended 31 December 20X1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed a qualified audit opinion on the audited financial report in our report dated 15 February 20X2. The basis for our qualified audit opinion was [that management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from Australian Accounting Standards]. The Company's records indicate that had management stated the inventories at the lower of cost and net realisable value, an amount of xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively.

Management's²³ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA)810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

²² The positioning of this reference to the qualified opinion in the auditor's report on the audited financial report in the Opinion paragraph on the summary financial statements assists users in understanding that although the auditor has expressed an unmodified opinion on the summary financial statements, the summary financial statements reflect the audited financial report that is materially misstated.

²³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

[Auditor's address]

[Date of the auditor's report]

Illustration 4:

Circumstances include the following:

- An adverse opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Denial of Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

As a result of the adverse opinion on the audited financial report discussed in *The Audited Financial Report and our Report Thereon* section of our report, it is inappropriate to express an opinion on the accompanying summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

In our report dated 15 February 20X2, we expressed an adverse opinion on the audited financial report of ABC Company for the year ended 31 December 20X1. The basis for our adverse opinion was [describe basis for adverse audit opinion].

Management's²⁴ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 5:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of summary financial statements exist.
- The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Adverse Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion* section, the accompanying summary financial statements are not consistent with (or *a fair summary of*) the audited financial report of ABC Company for the year ended 31 December 20X1, in accordance with [describe established criteria].

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or *a fair summary of*) the audited financial report, in accordance with the applied criteria.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2.

Management's²⁵ Responsibility for the Summary Audited Financial Statements

Management is responsible for the preparation of the a summary financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

[Aus] Illustration 6:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report of an entity other than a listed entity.
- The Concise Financial Report is prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of the concise financial report exist.
- The auditor's report on the concise financial report is dated later than the date of the auditor's report on the financial report from which the concise financial report is derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial report was not required to communicate key audit matters in accordance with ASA 701.

Report of the Independent Auditor on the Concise Financial Report*

[Appropriate Addressee]

Opinion

The Concise Financial Report, which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity, statement

²⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

* The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

Proposed Auditing Standard ASA 810

Engagements to Report on Summary Financial Statements

of cash flows[#] for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1 [and the discussion and analysis[†]][§].

In our opinion, the concise financial report [including the discussion and analysis[‡]] complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Concise Financial Report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the concise financial report.

Responsibilities of Management* and Those Charged with Governance for the Concise Financial Report

Management is responsible for the preparation of the concise financial report in accordance with in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as management determines is necessary to enable the preparation of the concise financial report.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the concise financial report, in all material respects, complies with AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*][#] based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[#] The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports*. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

[†] A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (AASB 1039 paragraphs 24-25).

[§] As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

[‡] Include when a discussion and analysis has been included in the concise financial report

* Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

[#] Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039, paragraph 24.

Report on Other Legal and Regulatory Requirements[†]

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature[§]]

[Auditor's address]

[Date of the auditor's report]

Draft

[†] Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

[§] The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 810 and Existing ASA 810
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Summary of Main Differences — ASA 810 and Existing ASA 810

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 810. *This summary should not be used as a complete list of all changes made.*

- New and amended requirements and application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 810 (Proposed Revised) engagements, particularly in relation to a material uncertainty related to going concern, communication of key audit matters and uncorrected material misstatement of other information.
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.

Draft



Proposed modification (1) to international standard ISA 810

Proposed modification

Include Aus 1.1:

Where an entity prepares a concise financial report in accordance with paragraph 314(2)(a) in Part 2M.3 of the *Corporations Act 2001*, an auditor's report thereon is required under paragraph 314(2)(c) in Part 2M.3 of the *Corporations Act 2001*. The minimum content of the concise financial report is determined by the Australian Accounting Standards Board and is set out in AASB 1039 *Concise Financial Reports*. The Appendix [Aus] Illustration 6 provides an example unmodified Auditor's Report on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001*.

Additional [Aus] Illustration Auditor's Report – refer above

Rationale for the proposed modification

The international standard is not consistent with Australian regulatory arrangements.

The ISA does not provide an example auditor's report that complies with local legislative requirements. As the Auditing Standards are made and enforceable under the Act, it is necessary to include relevant example auditor's reports to clarify obligations. The Board has previously adopted this position for the Auditor Reporting project. Concise financial reports are provided for within the Australian legislative environment.

OR

The international standard does not reflect principles and practices that are considered appropriate in Australia.

A. Consideration of compelling reason criteria where the international standard is not consistent with Australian regulatory requirements.

Compelling reason criteria as per agreed Principles of Convergence

Consideration whether the proposed modification meets the criteria

1. The standard can be modified so as to result in a standard the application of which results in effective and efficient compliance with the legal framework in Australia.

Yes.

The proposed modifications are not to the requirements, but an enhancement to the scope and appendices

2. The proposed modification does not result in a standard that conflicts with, or results in lesser requirements than the international standard.

There is no conflict or lessening of the ISA requirements merely adaptations to comply with applicable legislation.

B. Consideration of compelling reason criteria where the international standard does not reflect principles and practices that are considered appropriate in Australia.

Compelling reason criteria as per agreed Principles of Convergence

Consideration whether the proposed modification meets the criteria

1. The application of the proposed

NA



Proposed modification (1) to international standard ISA 810	
modification will result in compliance with principles and practices considered appropriate by the AUASB.	
2. The proposed modification results in a standard that is clear and that promotes consistent application by all practitioners. (For example, excluding options not relevant in Australia and New Zealand)	NA
3. The proposed modification will promote significant improvement in audit quality in Australia (With improvement in audit quality being linked to one or more of the Applicable Elements in the IAASB's Framework for Audit Quality)	NA
4. The relative benefits of the modification outweigh the cost (with cost being compliance cost and the cost of differing from the international standard, and benefit relating to audit quality).	NA
5. The proposed modification does not conflict with or result in lesser requirements than the international standard.	NA
6. The proposed modification overall does not result in the standard being overly complex and confusing.	NA
7. The proposed modification does not inadvertently change the meaning of the international standard wording by placing more onerous requirements on a practitioner in Australia than necessary to meet the intent of the international standard.	NA
C. Conclusion	
Compelling reasons test met/not met?	The compelling reasons test has been met.
Does the Board agree that the proposed modification meets the compelling reason test, and that ISA 810 should be modified as described above?	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **5(a)**
Meeting Date: 14 June 2016
Subject: Auditor's Reporting – Outstanding matters
Date Prepared: 8 June 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To consider and approve recommendations to activate descriptions of the auditor's responsibilities on the AUASB website.

Background

1. ASA 700 *Forming an Opinion and Reporting on a Financial Report* (revised December 2015) requires an auditor to include, in the auditor's report, a description of the auditor's responsibilities. The standard permits an auditor to make reference in the auditor's report, to a description of the auditor's responsibilities on the AUASB website.
2. When an auditor chooses to adopt this option, the standard guides auditors to refer to the AUASB's homepage: <http://www.auasb.gov.au/Home.aspx> [Ref: ASA 700 paragraph Aus A57.1].
3. The standard also indicates that the auditor should include in the auditor's report, the exact AUASB link applicable to the circumstances. Users of the auditor's report will therefore be directed to only the auditor responsibilities description that is applicable to them.
4. At its 1 December 2015 meeting, the AUASB requested the AUASB website to include four auditor's responsibilities descriptions that aligned with the 4 illustrative auditor's reports that are included in the appendices of ASA 700. These were presented at the 22 February 2016 meeting.
5. At the 22 February meeting, the AUASB requested a more comprehensive suite of auditor's responsibilities descriptions be brought back to a later meeting.

Matters to Consider

Part A – General

1. The AUASB is requested to consider and approve the suggested approach [see Agenda Item 5(a).1] which in summary involves:
 - (a) A prominent tab on the AUASB's Home page which links to a new heading , Auditor's Responsibilities, on the Australian Auditing Standards page.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

- (b) The new heading would be followed by a link to a new Auditor's Responsibilities lead page that comprises introductory text and lists the descriptions and links to the specific examples.
- (c) The existing Australian Auditing Standards page would remain unchanged but for the new heading and link mentioned above.
- (d) Additional guidance in the form of an Audit Bulletin on Auditor Reporting. The Audit Bulletin provides brief guidance, the six separate links and the six descriptions aligned to the four example reports in ASA 700 (note: examples three and four are also suitable for use with the four examples included in the ASA 800 ED – refer agenda item 4(a)) as well as two additional examples with more generic descriptions. [Ref: Agenda Item 5(b)]

Part B – NZAuASB

1. The Australian and New Zealand standards on reporting are aligned in respect of the auditor responsibilities issue. The mechanics of how the AUASB and NZAuASB websites will ultimately work are still in progress and the AUASB and NZAuASB staff communicates often so that the approach will be very similar, or the same. Although the NZAuASB website is operational, NZAuASB staff have indicated that changes may still be made.
2. Users of auditor's reports in both jurisdictions will use the same method of accessing the respective websites – i.e., the specific link to the relevant auditor's responsibilities description will be included in the auditor's report.

Part C – “Compelling Reasons” Assessment

1. With respect to descriptions of auditor's responsibilities on an appropriate website, no changes from the equivalent ISA 700 have been made or are proposed. The proposals of this agenda item are procedural in nature and do not affect audit requirements.

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

AUASB Technical Group Recommendations

The AUASB is requested to approve the suggested approach to enable auditors to include in their auditor's report, specific links to the relevant auditor's responsibilities page on the AUASB website.

Material Presented

Agenda Item 5(a)	AUASB Board Meeting Summary Paper
Agenda Item 5(a).1	Suggested Approach to Auditor's Responsibilities on AUASB Website
Agenda Item 5(a).2	ASA700 and 800 ED – Link to Auditor's Responsibility examples

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and approve approach - auditor's responsibilities on AUASB website.	AUASB approval	AUASB	14 June 2016	o/s



Suggested Approach to Describing the Auditor's Responsibilities on the AUASB Website

Introduction

Auditing Standard – ASA 700 *Forming an Opinion and Reporting on a Financial Report*

1. The guidance related to auditor's responsibilities located on a website is found in Auditing Standard ASA 700 paragraph Aus A57.1 is: <http://www.auasb.gov.au/Home.aspx>
2. Footnote * attached to the above paragraph states: "The auditor's report should refer to the specific webpage that applies to the auditor's responsibilities applicable in the context of the engagement".

New Zealand

3. The wording in ASA 700 is identical to that used in the equivalent NZ standard – ISA (NZ) 700 paragraph NZ A57.1 and footnote 36.

AUASB Bulletin

4. The proposed AUASB Bulletin [see Agenda Item 5(b).1] on auditor reporting is to include a section on auditor responsibilities descriptions located on the AUASB website. The material comprises:
 - (a) Brief guidance that emphasizes the ASA 700 references, especially the footnote;
 - (b) Lists the separate web links for each of the 6 example auditor's reports found in the Appendix to ASA 700; and
 - (c) Provides one example of how the link would appear in an auditor's report.

Proposed approach to AUASB Website

AUASB Website - Home Page

5. The AUASB web site architecture is fixed and so we must work within this constraint.

On the Home page, the first level of tabs has high usage and is the portal to the main contents of the website. Descriptions of the auditor's responsibilities would not rank at the same level of importance and so no changes are suggested to these tabs.

The second level of tabs on the AUASB Homepage is prominent due to its background colouring and positioning which is immediately below the image of Melbourne city. It is suggested that this tab row is used as the prime access to the descriptions of auditor responsibilities, namely:

Auditor's Responsibilities Description forming part of the auditor's report.	Subscribe for Alerts Stay up to date with email alerts and eNewsletters.	Open for Comment Click here to view all documents that are open for comment.	The Standard-Setting Process Discover the processes used by the AUASB in setting Standards.
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New Zealand

6. NZ does not have an auditor's responsibilities link on its home page.



7. However, the NZ home page includes a link to: “Revised Auditing Standards Effective Dec 2016”. This link takes the reader to a page titled: “The New Auditor’s Report” which lists the new, revised and compiled standards effective 15 December 2016.

Note: The New Auditor’s Report page refers to, and links to, only the new, revised and compiled standards – it is *not* a listing of all standards and therefore differs from the AUASB site in this regard.

AUASB Website - Australian Auditing Standards Page

8. The Australian Auditing Standards page, which contains the list of all current Australian Auditing Standards, is accessed via links starting from the Pronouncements tab at the top of the Home page.

Pronouncements > AUASB Standards > Australian Auditing Standards

9. It would also be linked to from the proposed new “Auditor’s Responsibilities” tab on the Home page as discussed above.

Auditor’s Responsibilities (Home Page) > Australian Auditing Standards (Page)

10. A new heading/sub-heading and a link could be introduced to the Australian Auditing Standards Page so as to locate a link in close proximity to the Auditing Standards:

Auditor’s Responsibilities

[Click here](#) for more information

11. The existing heading, Australian Auditing Standards, on this webpage would remain unchanged and so too would be the listing of all the Auditing Standards.

AUASB Website – Auditor’s Responsibilities Page

12. This new page would be accessed from the following links:
 - (a) Directly from the Home page tab; and
 - (b) From the new heading/sub-heading on the Australian Auditing Standards page.
13. The new page would comprise introductory information about auditor’s responsibilities and a Table listing the 4 descriptions aligned to the 4 illustrative auditor’s reports contained in the Appendix to ASA 700. See **Appendix 1** to this document.
14. Each example in the Table would be hyperlinked to the detailed descriptions as set out in **Appendix 2** to this document.

New Zealand

15. The New Auditor’s Report page is set out with the list of standards (first) followed by a sub-heading titled: “Description of the auditor’s responsibilities”. Under the sub-heading is a link: “Click here for more information”.
16. The link takes the reader to a new page titled: “Description of the auditor’s responsibilities”. The page is set up as follows:



Description of the auditor's responsibilities (NZ Examples)

Paragraph 41(c) of ISA (NZ) 700 (Revised) allows an auditor's report to refer by specific reference within the auditor's report to the location of a description of the auditor's responsibilities on a website of an appropriate authority.

The "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report may cross refer to the XRB's web-site.

In January 2016, eight "Auditor's Responsibilities for the Audit of the Financial Statements" were posted on the XRB's web-site. The auditor's report should refer to the specific webpage that applies to the auditor's responsibilities applicable in the context of the engagement.

	Group audit	Not a group audit
Key audit matters are reported	Audit of a listed issuer (also use for FMC reporting entities considered to have a higher level of public accountability where reporting of key audit matters is early adopted)	Audit of a listed issuer (also use for FMC reporting entities considered to have a higher level of public accountability where reporting of key audit matters is early adopted)
	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) where the auditor voluntarily reports key audit matters	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) where the auditor voluntarily reports key audit matters
Key audit matters are not reported	Audit of a FMC reporting entity considered to have a higher level of public accountability - reporting of key audit matters is deferred until required in 2018	Audit of a FMC reporting entity considered to have a higher level of public accountability - reporting of key audit matters is deferred until required in 2018
	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) - auditor does not report key audit matters	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) - auditor does not report key audit matters

(Please note: all of these examples assume that a fair presentation framework has been used to prepare the financial statements)



[AUASB WEBSITE: AUDITOR'S RESPONSIBILITIES PAGE]

Description of the Auditor's Responsibilities Forming Part of the Auditor's Report

Introduction

Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* sets out the requirement for an auditor's report to include details of the auditor's responsibilities for the audit of the financial report. [Ref: ASA 700, paragraph 37 onwards]

The auditor's responsibilities descriptions applicable to the type of entity (see Table below) form part of the Auditor's Report when the auditor's report refers specifically to the auditor's responsibilities as being located on the AUASB website. [Ref: ASA 700, paragraph Aus A57.1]

Authorisation

The Auditing and Assurance Standards Board authorises the descriptions of the *Auditor's Responsibilities* linked to the following examples that correspond to the four examples contained in the Appendix to ASA 700 (note: examples three and four are also suitable for use with the four examples included in the ASA 800 ED), along with two additional reports with generic descriptions for entity and those charged with governance:

	Group Audit [Fair Presentation Framework]	Not a Group Audit [Fair Presentation Framework]
Key audit matters are reported	Listed. <i>Group Entity - Corporations Act 2001</i> Listed. <i>Group Entity (other than a company)</i>	Listed. <i>Single Company - Corporations Act 2001</i> Listed. <i>Single listed Entity (other than a company)</i>
Key audit matters are not reported		Not listed <i>Single listed Entity</i>
		Not a Group Audit [Compliance Framework]
Key audit matters are not reported		Not listed <i>Single Entity</i>

Disclaimer of Audit Opinion

When the auditor disclaims an audit opinion, the auditor's responsibilities are described in the auditor's report and are *not* referred to as being located on the AUASB website. [Ref: ASA 705, paragraph 29 and A26]

* * *

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.



EXAMPLE 1

**AUDITOR'S RESPONSIBILITIES
FORMING PART OF THE AUDITOR'S REPORT**

**Single Company—Corporations Act 2001
(Fair Presentation Framework)**

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that the we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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EXAMPLE 2

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Group Entity—*Corporations Act 2001* (Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. The auditor is responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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EXAMPLE 3

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Single Entity—Not listed (Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

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EXAMPLE 4

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Single Entity—Not listed (Compliance Framework)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

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EXAMPLE 5

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Single listed entity (other than a company) (Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entities ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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EXAMPLE 6

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Group Listed Entity (other than a company)

(Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Concludes on the appropriateness of those charged with governance use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. The auditor is responsible for the direction, supervision and performance of the Group audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

* * *



ASA 700 & 800 ED – Example audit report link to Auditor’s Responsibility examples

Standard	Description	All	Fair Pres	Group	Listed	Example
ASA 700 - Example 1	Single company / listed / Corps Act / fair presentation	X	X		X	1
ASA 700 - Example 2	Group entity / listed / Corps Act / fair presentation	X	X	X	X	2
ASA 700 - Example 3	Single entity / non listed / non-Corps Act / fair presentation	X	X			3
ASA 700 - Example 4	Single entity / non listed / non-Corps Act / compliance	X				4
ASA 800 ED - Example 1	Single company / non listed / non-Corps Act / compliance	X				4*
ASA 800 ED - Example 2	Single entity / non listed / non-Corps Act / compliance	X				4#
ASA 800 ED - Example 3	Deleted by AUASB					N/A
ASA 800 ED - Example 4	Single company / non listed / Corps Act / fair presentation	X	X			3*
ASA 800 ED - Example 5	Single company / non listed / non- Corps Act / fair presentation	X	X			3

* note: refers to entity and not company

note: refers to entity and not partnership



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **5(b)**
Meeting Date: 14 June 2016
Subject: AUASB Bulletin: *Auditor Reporting*
Date Prepared: 8 June 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To discuss a draft AUASB Bulletin that has been drafted based on feedback received from the AUASB meeting held on 22 February 2016.

Subject

1. The draft Audit Bulletin provides auditors with information relevant to auditor reporting under the following Auditing Standards issued in December 2015:
 - (a) ASA 700 *Forming an Opinion and Reporting on a Financial Report*; and
 - (b) ASA 701 *Communicating Key Audit Matters in the Auditor's Report*.
2. Information in this proposed AUASB Bulletin comprises:
 - (a) The approach when referring in the auditor's report, to the auditor's responsibilities located on the AUASB website (ASA 700);
 - (b) Application of ASA 701; and
 - (c) A decision schematic for determining key audit matters (KAM) (ASA 701).

Background

3. In December 2015, the AUASB made a number of revisions and other changes to the Australian Auditing Standards to align with the enhancements to auditor reporting made to the equivalent International Standards on Auditing (ISAs) by the International Auditing and Assurance Standards Board.
4. The revision of ASA 700 brought in an option for the auditor to include, in the auditor's report, a reference to a description of the auditor's responsibilities located on the AUASB website. As the standard requires the reference in the auditor's report to be direct to the relevant webpage, some additional procedural guidance is necessary.
5. ASA 701 was a new standard that introduced requirements and guidance for auditors to include information on key audit matters (KAM) in their reports on the audits of listed entities. The AUASB

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has decided to provide further information to assist auditors in applying the new standard in the Australian environment.

- (a) The definition of the term “listed entity” is included in the Auditing Standards (ASQC1 and ASA200). The definition mirrors the ISA definition. In Australia, there are some situations that may present difficulties in determining whether or not the audited entity falls within the definition of “listed entity” and therefore whether ASA 701 is to be applied.
 - (b) The auditor is required to exercise professional judgement in determining KAM to be communicated in the auditor’s report. The AUASB has decided to provide a high level schematic depicting the auditor’s decision flow and considerations.
6. A draft *Explanatory Guide on Auditor Reporting* was presented to the AUASB in the meeting on 22 February. The AUASB discussed the proposed explanatory guide in some detail, including the objectives of the exercise and a consensus was reached that the information would be better conveyed in the form of a bulletin. The following points were raised:
- (a) The AUASB decided that a “plain English” bulletin would be a better format for informational communiqués that build a bank of helpful information on practical issues.
 - (b) The AUASB continued to provide detailed suggestions for improving the content of the material presented at this agenda item. In respect of the Determining KAM diagram, the AUASB agreed that the diagram should include the bullet points on consideration of KAM, but that the diagram needs to be imaginative.
7. The AUASB requested the revised information, including the revised diagram, to be redrafted in the form of a AUASB Bulletin; and to be brought back to a later meeting later in 2016.

Matters to Consider

Part A – General

1. The AUASB is requested to provide feedback in relation to the draft AUASB Bulletin on Auditor Reporting.
2. AUASB technical staff recommends that the definition of “listed entity” remains unchanged and that the proposed bulletin describes the principles in determining whether or not ASA 701 is to be applied.

This approach avoids differences with the ISA definitions. Further, the approach avoids an arbitrary ruling on whether or not an entity falls within the application of the standard, which would only be meaningful if all relevant circumstances were considered and where necessary, consultation within, and external to, the firm, is deemed appropriate.

Part B – NZAuASB

NZAuASB staff has been given a draft of the proposed Explanatory Guide.

Part C – “Compelling Reasons” Assessment

N/A. No equivalent IAASB material.

The proposed changes conform to IAASB modification guidelines for NSS?

N/A Y ☐ N ☐

AUASB Technical Group Recommendations

The AUASB is requested to provide feedback in relation to the draft bulletin

Material Presented

Agenda Item 5(b)	AUASB Board Meeting Summary Paper
Agenda Item 5(b).1	Proposed Explanatory Guide: <i>Auditor Reporting</i>

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Provide feedback	AUASB feedback	AUASB	14 June 2016	o/s

AUASB Bulletin - Auditor Reporting

Purpose of the Bulletin

The purpose of this Bulletin is to provide auditors with information relevant to auditor reporting under the following Auditing Standards issued in December 2015:

- ASA 700 *Forming an Opinion and Reporting on a Financial Report*; and
- ASA 701 *Communicating Key Audit Matter in an Auditor's Report*.

These standards are operative for financial reporting periods ending on or after 15 December 2016.

Background

In December 2015, the AUASB issued a number of revisions and other changes to the Australian Auditing Standards to align with the enhancements to auditor reporting made to the equivalent International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB).

The overall objective of the improvements to auditor reporting is to respond to calls for auditors to provide more relevant information to users based on the audit that was performed. Accordingly, the new requirements are aimed at enhancing the informational value of the auditor's report.

ASA 700 Forming and Opinion and Reporting on a Financial Report

The revised ASA 700 requires a description of the auditor's responsibilities for the audit of the financial report. The standard allows this to be included by a specific reference within the auditor's report to the location of such a description on the AUASB website. When the auditor wishes to refer to the AUASB website, the specific webpage link is to be included in the auditor's report.

Auditors referring to the auditor's responsibilities on the AUASB website should use the links in the table below depending on the specific circumstances of the engagement. The links in the table align with the 4 illustrative example auditor's reports found in the appendix to ASA 700 (issued December 2015). Refer to Appendix 1 for a demonstration of how the auditor would refer to the auditor's responsibilities located on the AUASB website.

Example	Type of Entity [applicable to the auditor's report]	AUASB Website Links
1	Single Company - <i>Corporations Act 2001</i> [Listed. Fair Presentation]	http://www.auasb.gov.au/Home.aspx
2	Group Entity - <i>Corporations Act 2001</i> [Listed. Fair Presentation]	http://www.auasb.gov.au/Home.aspx
3	Single Entity [Not listed. Fair Presentation]	http://www.auasb.gov.au/Home.aspx
4	Single Entity. [Not listed. Compliance]	http://www.auasb.gov.au/Home.aspx
5	Single Entity (other than a company) [Listed. Fair Presentation]	http://www.auasb.gov.au/Home.aspx
6	Group Entity (other than a company) [Listed. Fair Presentation]	http://www.auasb.gov.au/Home.aspx
Note: When the auditor disclaims an audit opinion, the auditor's responsibilities are described in the auditor's report and are not referred to as being located on the AUASB website [Ref: ASA 705, paragraph 29 and A26]		

ASA 701 Communicating Key Audit Matters in the Auditor's Report

Application of ASA 701

ASA 701 is a new auditing standard that introduces requirements and guidance for auditors to include information on key audit matters in their reports on the audits of general purpose financial reports of listed entities. When the auditor decides to do so, key audit matters may be included in the auditor's report of other entities. The key audit matter enhancements provide users of the auditor's report with information on matters of most significance to the auditor.

The auditor exercises professional judgement when making determinations about:

Whether the report is a general purpose report:

- The auditor needs to establish that the auditor's report relates to a general purpose financial report. Reference to the Australian Accounting Standards and the guidance in Appendix 2 of ASA 210 *Agreeing the Terms of Audit Engagements*, provide the necessary information for the auditor to conclude on the nature of the financial report.
- A relevant criterion, spelled out in the appendix to ASA 210, is that the accounting conventions applied in a general purpose financial report exhibit attributes normally exhibited by acceptable financial reporting frameworks, such as providing information necessary to meet the common financial information needs of a wide range of users in making economic decisions.
- The auditor needs to determine whether applicable laws or regulations governing the preparation of the relevant financial report, are intended to result in a general purpose financial report.

The "listed" status of the entity:

- The definition of the term "listed entity" is included in the Auditing Standards (ASQC 1 and ASA 200). The definition mirrors the ISA definition. In Australia, there are situations that may present difficulties in determining whether or not the audited entity falls within the definition of "listed entity" and therefore whether ASA 701 is to be applied.
- The Auditing Standards¹ include a definition of "listed entity", which is identical to that contained in the equivalent ISAs, namely:

Listed entity means an entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are marketed under the regulations of a recognised stock exchange or other equivalent body.

- The second part of the definition should be read as the entity's *shares, stock or debt* are marketed under the regulations of a recognised stock exchange or other equivalent body.

When either the financial report or the entity does not fall clearly within the definitions, the auditor exercises professional judgement in deciding whether to communicate KAM. In doing so, the auditor considers the intention of ASA 701 which is expressed in paragraph 2 of the standard:

The purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. Communicating key audit matters provides additional information to intended users of the financial report ("intended users") to assist them in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. Communicating key audit matters may also assist intended users in understanding the entity and areas of significant management judgement in the audited financial report.
(Ref: Para. A1–A4)

¹ Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*; and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*

Determining Key Audit Matters

ASA 701 provides extensive guidance in support of the requirements to communicate key audit matters. The requirements are implemented through a logical approach that uses criteria to identify and to select those key audit matters that are to be communicated in the auditor's report. ASA 701, paragraph 8, defines key audit matters as:

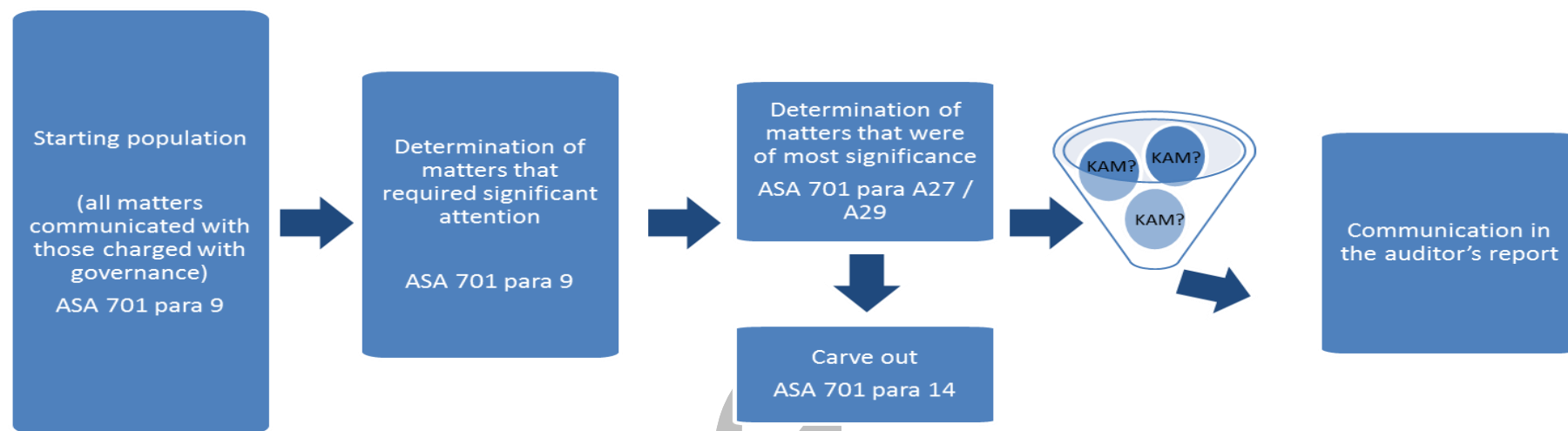
Those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. Key audit matters are selected from matters communicated with those charged with governance.

Key audit matters should be specific to the entity and the audit that was performed in order to provide relevant and meaningful information to users. Therefore, ASA 701 includes a judgment-based decision-making framework to help auditors determine which matters, from those communicated with those charged with governance, are key audit matters. This decision-making framework was developed to focus auditors on areas about which investors and other users have expressed interest – in particular, areas of the financial statements that involved the most significant or complex judgments by management and areas of auditor focus in accordance with the risk-based approach in the ASAs.

The number of key audit matters that will be communicated in the auditor's report may be affected by the complexity of the entity, the nature of the entity's business and environment, and the facts and circumstances of the audit engagement. It is envisaged that there will be at least one key audit matter for an audit of a listed entity.

Note: In deciding whether to communicate a matter, the auditor may consider using an Other Matter paragraph under ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*. Such paragraphs are permitted when the auditor decides to communicate a matter that is, in the auditor's judgement, relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report.

In order to assist auditors with this new process, the AUASB has developed a high level schematic that depicts the sequential flow of procedures and the essential considerations that the auditor needs to address in determining key audit matters to be communicated.



- Areas of higher assessed risk
- Significant auditor judgements
- Significant events/transactions

- Nature and extent of communications with TCWG
- Importance to users' understanding of the financial report
- Nature of underlying accounting policy, complexity or subjectivity
- Nature and materiality of corrected and uncorrected misstatements
- Nature and extent of audit effort
- Nature and severity of difficulties in applying audit procedures
- Severity of control weaknesses

Carve out is in rare or exceptional circumstances

- Laws or regulations preclude disclosure
- Adverse consequences to the entity or the public reasonably expected to outweigh public interest benefit
- Management's views on why the matter had not been publicly disclosed
- Relevant ethical requirements

- Reference to (any) related disclosures
- Why the matter is considered to be one of the most significance
- How the matter was addressed in the audit

Appendix 1

HOW THE AUDITOR'S REPORT FOR A SINGLE LISTED COMPANY WOULD REFER TO THE AUDITOR'S RESPONSIBILITIES LOCATED ON THE AUASB WEBSITE

[See Appendix to ASA 700 - [Aus] Illustration 1A—Single Company - *Corporations Act 2001*]

Auditor's Responsibilities for the Audit of the Financial Report

“Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, 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”.

* **



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8(b)**

Meeting Date: 14 June 2016

Subject: IAASB Meeting 21-24 June 2016

Date: 7 June 2016

☐ **Action Required**

☒ **For Information Purposes Only**

Agenda Item Objective

To provide the AUASB, for information and discussions, selected agenda papers for the IAASB Meeting to be held in New York on 21-24 June 2016, to be attended by the AUASB Chairman and Executive Director.

Material Presented

Agenda Item 9(b) Board Meeting Summary Paper

IAASB papers:

Agenda Item 2 – Professional Skepticism	Cover
Agenda Item 2-A	Professional Skepticism Issues-Paper
Agenda Item 2-B	Professional Skepticism Matrix
Agenda Item 3 – NOCLAR	Cover
Agenda Item 3-A	NOCLAR-Issues-and-Task-Force-Recommendations-FINAL
Agenda Item 3-B	NOCLAR Proposed amendments to ISA-250 and conforming amendments-Marked-from-meetings

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Agenda Item 4 – IAASB Consultation on Work Plan for 2017-2018 and Strategic Objectives	Cover
Agenda Item 4-A	Future Priorities-final
Agenda Item 4-B	Work Plan Survey-final
Agenda Item 4-C	Supplement to Consultation-final
Agenda Item 5 – ISA 540	Cover
Agenda Item 5-A	ISA 540 Issues Paper-Final
Agenda Item 6 – ITC	Cover
Agenda Item 6-A	ITC Update-final
Agenda Item 6-A	Summary-of-Views-from-Outreach-on-ITC
Agenda Item 7 – ISA 315	Cover
Agenda Item 7-A	ISA-315-Revised-Initial-Scoping final
Agenda Item 8 - Data Analytics	Cover
Agenda Item 8-A	Data Analytics Working Group Publication-final
Agenda Item10 - Agreed-Upon Procedures	Cover
Agenda Item 10-A	Agreed Upon Procedures Discussion Paper-final
Agenda Item 11 - Integrated Reporting	Cover
Agenda Item 11-A	Integrated Reporting-Draft-Discussion-Paper-final
Agenda Item 11-B	Integrated Reporting Additional Tables final



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 8(e)
Meeting Date: 14 June 2016
Subject: Updated AUASB Technical Work Program for year ending 30 June 2016
Date Prepared: 25 May 2016

☒ Action Required	☐ For Information Purposes Only
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Agenda Item Objectives

To provide to the AUASB with an updated AUASB Technical Work Program for the financial year ending 30 June 2016.

Material Presented

Agenda Item 8(e) AUASB Board Meeting Summary Paper
Agenda Item 8(e).1 Updated AUASB Technical Work Program for year ending 30 June 2016

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB Technical Work Program for year ending 30 June 2016	For noting	AUASB	14 June 2016	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **9(b)**

Meeting Date: 14 June 2016

Subject: Revised Audit Committees Guide

Date: 7 June 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To recommend to the AUASB that it approve in-principle for joint project to be scoped with the Australian Institute of Company Directors (AICD) and the Institute of Internal Auditors – Australia (IIAA) for the update/revision of the joint publication *Audit Committees – A Guide to Good Practice* 2nd ed.

Matters to Consider

The AUASB Technical Group was approached on 25 May 2016 by both the AICD and the IIAA to consider undertaking a revision of the *Audit Committees – A Guide to Good Practice*, which was last revised in 2012. This was followed by a brief meeting held on 1 June 2016, at which it was agreed to seek approval in-principle from each organisation's respective board, to commence a project scoping exercise as to the extent of changes to the current edition.

From the AUASB's perspective, a revised or updated edition of the Guide should reflect the recent changes to the auditor reporting standards (ASA 700 series, including the new ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*) as well as the related consequential changes to other relevant auditing standards, such as ASA 260 *Communicating with Those Charged with Governance* and ASA 570 *Going Concern*. Other changes may include consideration of the implications of recent legal decisions and legislative changes, as well as the ASX *Corporate Governance Principles and Recommendations*, which were revised in 2014.

It is proposed to have a further meeting with the AICD and IIAA on 11 July 2016, to determine the proposed extent of update/revision to the publication. Once this has been agreed and scoped-out, a project plan will be brought to the next AUASB meeting on 26 July 2016 for consideration and approval. The AICD and the IIAA will proceed similarly with their respective Boards.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

AUASB Technical Group Recommendations

To approve further discussions with AICD and IIAA with a view to scoping out extent of update/revision to the *Audit Committees – A Guide to Good Practice*.

Material Presented

Agenda Item 9(b) Board Meeting Summary Paper

Agenda Item 9(b).1 *Audit Committees – A Guide to Good Practice* 2nd ed. (Title Page and table of Contents)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	To approve scoping of update/revision.		AUASB	14 June 2016	Yet to commence

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Agenda Item 9(b)
AVASS Meeting
14 June 2016

Audit Committees

A GUIDE TO GOOD PRACTICE

SECOND EDITION



Audit Committees

A GUIDE TO GOOD PRACTICE

SECOND EDITION

**A joint publication from the
Auditing and Assurance Standards Board,
Australian Institute of Company Directors and
The Institute of Internal Auditors-Australia**



Australian Government
Auditing and Assurance Standards Board

**AUSTRALIAN INSTITUTE
of COMPANY DIRECTORS**



The Institute of
Internal Auditors
Australia

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AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 7

Meeting Date: 14 June 2016

Subject: Revision of ASAE 3100 *Compliance Engagements*

Date Prepared: 7 June 2016

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

AUASB to consider a further draft ED XX ASAE 3100 *Compliance Engagements* for comment and feedback on any outstanding matters that require resolution prior to the ED being finalised for exposure.

Background

1. ASAE 3100 was issued in 2008 and a post-implementation survey was conducted in 2012. The results of that survey identified some matters to be addressed in any future revisions to ASAE 3100.
2. The NZAuASB also completed a post-implementation survey for SAE 3100 in April 2015 and any matters raised will be addressed by the NZAuASB in their revision of SAE 3100 and considered by the AUASB in the revision of ASAE 3100 to ensure consistency.
3. The AUASB approved a project plan to revise ASAE 3100 at the 24 February 2015 AUASB meeting.
4. A project advisory group (PAG) was formed in March 2015 to advise the AUASB TCG specifically on the subject matter and issues encountered in practice with compliance engagements. Four project advisory (PAG) meetings were held in the 2015 calendar year.
5. A PAG meeting was held on 22 March 2016 to discuss with the PAG suggested changes made by the AUASB to ED ASAE 3100 at the 1 December 2015 and 22 February 2016 meetings. The next scheduled meeting of the PAG will be held after the 14 June 2016 AUASB meeting in mid-July.

Matters to Consider

Part A – General

1. The key matters raised at the 22 February 2016 AUASB meeting were in relation to the terminology used in the application para 1 and para 3 then throughout the ED “an entity’s compliance with the compliance requirements as evaluated against the suitable criteria”. The AUASB discussed whether for a compliance engagement the compliance requirements and the criteria are the same or whether the compliance requirements are a subset of the criteria.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

- If compliance requirements are a more granular subset of the criteria are the definitions of “criteria” and “compliance requirements” in the definitions para 17 appropriate and adequately linked?
2. From further discussions with the PAG, PAG Chair and other AUASB members since the 22 February AUASB meeting, the position reached on the above matter re: terminology was that the following wording should be retained in the application para 1 and then flow through to para 3 Scope, para 15(a) Objective and the Appendixes – (5) Engagement Letters, (6) Example Reports and (7) Modified Example Reports:

“This Standard on Assurance Engagements applies to limited and reasonable assurance engagements to provide an assurance report on an entity’s compliance with the compliance requirements as evaluated by the suitable criteria”.

This reflects that the “compliance requirements” being what the entity has to comply with and the criteria as the subset, (or may be the same as the compliance requirements or even processes or procedures) of the requirements being what the assurance practitioner needs to consider in making their determination and drawing their conclusion about the entities compliance.

The following wording has been included in para 9 of the draft to explain the above:

“An assurance engagement performed in accordance with ASAE 3000 measures or evaluates the underlying subject matter against suitable criteria. In a compliance engagement the assurance practitioner determines whether compliance requirements have been met by evaluating the subject matter against the compliance requirements, using the criteria. The criteria may be the compliance requirements, or a subset thereof”.
 3. New Appendix 1 terminology table comparing ASAE 3000 and ASAE 3100 key terms/definitions.
 4. Remove para 8.
 5. Look at the use of the term “Statement” have we defined it appropriately refer para 16(a) and 16(z).
 6. Reference the definitions in para 16(b) criteria, 16(e) compliance requirement, 16(f) compliance outcome and 16(g) compliance activity to the new Appendix 1 terminology table.

In Progress

7. Further drafting of ED XX ASAE 3100 will continue post 14 June 2016 AUASB meeting dependent on the outcomes of the discussion at that meeting on the use of the terminology.
8. The AUASB has liaised with the NZAuASB who will complete the Quality Assurance process for ED XX ASAE 3100 prior to it going to the AUASB as a final ED to be approved.
9. A final draft ED XX ASAE 3100 will come to the 26 July 2016 AUASB meeting for consideration and approval by the AUASB to be exposed.
10. The operative date of ASAE 3100 will be considered once the exposure period has been determined.

Part B – NZAuASB

1. This is a joint project with NZAuASB, as they currently have SAE 3100 *Compliance Engagements* (August 2011) which is in clarity format however needs to be revised to remain consistent with ISAE 3000 (revised) and ASAE 3100 (revised).
2. The NZAuASB technical group provided a second draft of the ED (as provided to the AUASB at its 15 September 2015 meeting) to the NZAuASB for consideration at their 21 October meeting.
3. The NZAuASB also considered a draft of an ITC and ED SAE 3100 (Revised) *Compliance Engagements* for approval to expose at its December meeting on 9 December. This was subject to

the approval of the AUASB's exposure draft earlier in December. Draft ED SAE 3100 (Revised) is similar to draft AUASB ED, with amendments for New Zealand examples and ethical references. The New Zealand exposure draft will not include the equivalent of para 38 prohibiting direct assistance (this is consistent with harmonisation differences across the suite of New Zealand and Australian standards).

AUASB Technical Group Recommendations

AUASB to consider, discuss and approve the latest draft changes to ED XX ASAE 3100 *Compliance Engagements* with a view to finalising the ED for exposure.

Material Presented

Agenda Item 7	AUASB Board Meeting Summary Paper
Agenda Item 7.1	ED XX ASAE 3100 <i>Compliance Engagements</i> (Marked Up Version)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and approve the changes to ED XX ASAE 3100.	Feedback and approval of the changes to ED XX ASAE 3100.	AUASB	14 June 2016	Pending

EXPOSURE DRAFT

ED XX/16
(June 2016)

Proposed Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*

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

Draft

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 30 September 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

mailto:Formal Submissions

Submissions should be lodged online via the ‘Work in Progress-Open for Comment’ page of the AUASB website (www.auasb.gov.au/Work-In-Progress/Open-for-Comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

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PREFACE

Reasons for Issuing ED XX/16

The AUASB issues exposure draft ED XX/16 of proposed Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate assurance standards for other purposes.

Main Proposals

This proposed Standard on Assurance Engagements establishes requirements and provides application and other explanatory material regarding the conduct of and reporting on assurance engagements on compliance. The standard replaces Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the AUASB in July 2008 and last revised in October 2008.

This proposed Standard on Assurance Engagements facilitates conformity with current AUASB Standards and revised ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued in June 2014. The standard reflects best practice in compliance engagements and clarifies how to scope, conduct and report on an assurance engagement on compliance, to ensure that assurance engagement quality is maintained and where necessary improved.

Proposed Operative Date

It is intended that this proposed Standard on Assurance Engagements will be operative for assurance engagements commencing on or after XX XXX with early adoption permitted.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASAE 3100 *Compliance Engagements* by no later than 30 September 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?
5. Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?
6. What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of compliance engagements?
7. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Standard on Assurance Engagements, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Standard on Assurance Engagements.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Standard on Assurance Engagements is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the AUASB Standards are to be understood, interpreted and applied and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which provides the overarching requirements for all assurance engagements other than those engagements relating to historical financial information.

Draft

Conformity with International Standards on Assurance Engagements

This Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* has been formulated for Australian public interest purposes and there is no equivalent International Standard on Assurance Engagements (ISAE), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

This Standard does, however, reflect certain aspects of other Australian ASAEs, which reproduce substantial parts of the equivalent ISAEs issued by the IAASB and published by IFAC, including ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Draft

STANDARD ON ASSURANCE ENGAGEMENTS ASAE 3100

Compliance Engagements

Application

1. This Standard on Assurance Engagements applies to limited and reasonable assurance engagements to provide an assurance report on an entity's compliance with the compliance requirements [as evaluated by the suitable criteria](#). (Ref: Para. A1)

Operative Date

2. This Standard on Assurance Engagements is operative for assurance engagements commencing on or after XX XXX, with early adoption permitted prior to this date.

Introduction

Scope of this Standard on Assurance Engagements

3. This Standard on Assurance Engagements (ASAE) deals with assurance engagements to provide an assurance report on whether ~~the~~^{an} entity has complied in all material respects, with the compliance requirements, throughout the specified period or as at a specified date, [using the criteria](#).
4. This ASAE addresses assurance engagements on compliance: (Ref: Para. A2-A5)
 - (a) With the compliance requirements;
 - (b) Providing a limited or reasonable assurance conclusion;
 - (c) For either restricted use, by those charged with governance of the entity or specified third parties, or to be publicly available; and
 - (d) Either based on an attestation engagement or a direct engagement. (Ref: Para. 17(a), 17(h), A4).
5. Agreed-upon procedures engagements, where procedures are conducted and factual findings are reported but no conclusion is provided, and consulting engagements, for the purpose of providing advice, on compliance are not assurance engagements and are not dealt with in this ASAE. Agreed-upon procedures engagements are addressed under Standard on Related Services, ASRS 4400.¹

Nature of a Compliance Engagement

6. Compliance engagements are conducted in both the private and public sector, in either case the engaging party will usually be the entity responsible for meeting the compliance requirements which are subject to the compliance engagement. In these circumstances terms of engagement are agreed with the engaging party.
7. An entity may have an obligation to comply with externally and/or internally established compliance requirements. These compliance requirements may be established through law and regulation, contractual arrangements or internally established requirements, for example company policies. [A table showing the nature of assurance engagements on compliance is contained in Appendix 3.](#)

¹ See ASRS 4400 Agreed upon Procedures Engagements to Report Factual Findings.

8. ~~The style and content of reports for compliance engagements are most commonly not prescribed by a statutory authority, however, in limited circumstances this may be the case e.g. Australian Prudential Regulatory Authority (APRA) Annual Registered Superannuation Entity (RSE) compliance reports. This ASAE provides minimum requirements with respect to reporting in a compliance engagement.~~

Relationship with ASAE 3000, Other Pronouncements and Other Requirements

8. The assurance practitioner is required to comply with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000) and this ASAE when performing compliance engagements. This ASAE supplements, but does not replace ASAE 3000, and expands on how ASAE 3000 is to be applied in a compliance engagement. This ASAE applies the requirements in ASAE 3000 to attestation engagements and adapts those requirements, as necessary, to direct engagements on compliance. ASAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, obtaining evidence and documentation that apply to all assurance engagements, including engagements conducted in accordance with this ASAE. *Framework for Assurance Engagements*, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding this ASAE and ASAE 3000.
9. An assurance engagement performed in accordance with ASAE 3000 measures or evaluates the underlying subject matter against suitable criteria. In a compliance engagement the assurance practitioner determines whether compliance requirements have been met by evaluating the subject matter against the compliance requirements, using the criteria. The criteria may be the compliance requirements, or a subset thereof. A table explaining the terminology applied in this ASAE is contained in Appendix 2.
10. This ASAE requires the assurance practitioner to apply the ASAE 3000 requirement to comply with relevant ethical requirements related to assurance engagements. It also requires the lead assurance practitioner to be a member of a firm that applies ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Financial Information, Other Assurance Engagements and Related Services Engagements*.
11. An assurance engagement performed under this ASAE may be part of a larger engagement. In such circumstances, this ASAE is relevant only to the portion of the engagement relating to assurance on compliance.
12. If multiple standards are applicable to the assurance engagement, the assurance practitioner applies, in addition to ASAE 3000, either:
- (a) If the engagement can be separated into parts, the standard relevant to each part of the engagement, including this ASAE for the part on compliance; or
 - (b) If the engagement cannot be separated into parts, the standard which is most directly relevant to the subject matter.
13. Assurance conclusions on compliance may be required by Regulators, Government or other users in conjunction with assurance conclusions on financial reports, other historical financial information, and compliance with other requirements, controls and/or other subject matters. In these engagements the subject matter and criteria against which that subject matter is evaluated and the level of assurance sought may vary, in which case different standards will apply. Assurance reports can include separate sections for each subject matter, criteria or level of assurance in order that the different matters concluded upon are clearly differentiated.
14. A table showing the AUASB Standards to apply to compliance engagements depending on the subject matter and engagement circumstances is contained in Appendix 43. (Ref: Para. A1)

Objectives

15. ~~In conducting a compliance engagement, the objectives of the assurance practitioner are:~~
~~The objectives of the assurance practitioner for a compliance engagement are:~~
- (a) To obtain reasonable or limited assurance, about whether the entity has complied in all material respects, with compliance requirements as evaluated by the suitable criteria;
 - (b) To express a conclusion² through a written report on the matters in (a) above which expresses either a reasonable or limited assurance conclusion and describes the basis for the conclusion; and/or
 - (c) To communicate further as required by this ASAE and any other relevant ASAEs.
16. In conducting the assurance engagement, the objectives of the assurance practitioner under ASAE 3000³ include: “to obtain either reasonable or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement”. The subject matter information in a compliance engagement is the outcome of the evaluation⁴ of compliance with the ~~criteria as represented by the~~ compliance requirements, as measured by the criteria. The evaluation is conducted:
- (a) In an attestation engagement, by the responsible party or evaluator, and presented in a Statement⁵, which addresses whether ~~the compliance activity has met~~ the compliance requirements have been met. The objective of the assurance practitioner is to obtain reasonable or limited assurance about whether the Statement is free from material misstatement, although the assurance practitioner’s conclusion may be expressed in terms of whether the compliance requirements have been met; or
 - (b) In a direct engagement, by the assurance practitioner and presented in the assurance conclusion, therefore, no Statement is prepared by the responsible party ~~or evaluator~~. The objective of the assurance practitioner is to obtain reasonable or limited assurance about whether the compliance requirements have been met.

Definitions

17. For the purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:
- (a) Attestation engagement on compliance—A reasonable or limited assurance engagement in which a party other than the assurance practitioner, being the responsible party or evaluator evaluates compliance with the compliance requirements . The outcome of that evaluation is provided in a Statement, which may either be available to the intended users or may be presented by the assurance practitioner in the assurance report. In an attestation engagement, the assurance practitioner’s conclusion addresses whether the Statement is free from material misstatement. The assurance practitioner’s conclusion may be phrased in terms of: (Ref: Para. 4(d), A4)
 - (i) The criteria and the compliance requirements ~~ss and the criteria~~; or
 - (ii) A Statement made by the appropriate party.
 - (b) Criteria—The benchmark, framework or legislation used to evaluate whether the compliance requirements have been met. The “applicable criteria” are the criteria used for the particular engagement ~~and are represented by one or more compliance requirements~~. (Ref: Para. 23, A13, Appendix 1)

² The term conclusion also extends to include an opinion expressed in a reasonable assurance engagement.

³ See ASAE 3000, paragraph 10.

⁴ The term evaluation includes the concept of measurement for quantification aspects of a compliance engagement.

⁵ See ASAE 3100, paragraph 16(z) for definition of the term Statement.

- (c) Compliance engagement—An assurance engagement in which an assurance practitioner expresses a conclusion after evaluating an entity's compliance with the compliance requirements.
- (d) Compliance framework—A framework adopted by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.
- (e) Compliance requirement(s)—The specific requirements ~~of the criteria~~ established in law, regulations, other statutory requirements (e.g. ASIC Class Orders and Regulatory Guides and APRA Prudential Standards), contractual arrangements, ministerial directives, industry or professional obligations or internally via company policies, procedures and frameworks. (Ref: Para. Appendix 1)
- (f) Compliance Outcome (subject matter information)—The outcome of the evaluation of the underlying subject matter (compliance activity) against the compliance requirements, using the criteria. The compliance outcome is the Statement of the responsible party or evaluator in an attestation compliance engagement, or the assurance practitioner's conclusion in a direct compliance engagement, providing the outcome of their evaluation.
- (g) Compliance Activity (subject matter or underlying subject matter)—The activity that is undertaken to meet the compliance requirement(s).
- (h) Direct engagement on compliance—A reasonable or limited assurance engagement in which the assurance practitioner evaluates the compliance activities against the compliance requirements. The compliance outcome of the assurance practitioner's evaluation (the subject matter information) is expressed in the assurance practitioner's conclusion.
- (i) Engaging party—The party(ies) that engages the assurance practitioner to perform the assurance engagement.
- ~~(j)~~ Entity—The legal entity, economic entity, or the identifiable portion of a legal or economic entity, or combination of legal or other entities or portions of those entities (for example, a joint venture) to which the compliance requirements relate.
- ~~(k)~~~~(j)~~ Evaluation—includes the concept of measurement for quantification aspects of a compliance engagement.
- ~~(k)~~~~(k)~~ Evaluator—The party(ies) who evaluates the underlying subject matter (compliance activities) against the criteria. The evaluator possesses expertise in the underlying subject matter.
- ~~(m)~~~~(l)~~ Firm—A sole assurance practitioner, partnership or corporation or other entity of individual assurance practitioners. "Firm" should be read as referring to its public sector equivalents where relevant.
- ~~(n)~~~~(m)~~ Intended users—The individual(s) or organisation(s), or group(s) thereof that the assurance practitioner expects will use the assurance report. In some cases, there may be intended users other than those to whom the assurance report is addressed.
- ~~(n)~~~~(n)~~ Internal audit function—A function of an entity that performs assurance and consulting activities designed to evaluate and improve the efficiency or effectiveness of the entity's governance, risk management and internal control processes.
- ~~(p)~~~~(o)~~ Limited assurance engagement—An assurance engagement in which the assurance practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion in a form that conveys whether,

based on the procedures performed and evidence obtained, a matter(s) has come to the assurance practitioner's attention to cause the assurance practitioner to believe the ~~subject matter information (Statement) is materially misstated or the~~ compliance requirements have not been met. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the assurance practitioner's professional judgement, meaningful. To be meaningful, the level of assurance obtained by the assurance practitioner is likely to enhance the intended users' confidence about the ~~subject matter information~~ ~~(compliance outcome)~~ to a degree that is clearly more than inconsequential.

~~(+)(p)~~ Long-form report—Assurance report including other information and explanations that are intended to meet the information needs of users but not to affect the assurance practitioner's conclusion. In addition to the matters required to be contained in the assurance practitioner's report, as set out in paragraph 61, long-form reports may describe in detail matters such as:

- (i) the terms of the engagement;
- (ii) the criteria being used and the specific compliance activities designed to meet each compliance requirement;
- (iii) descriptions of the tests that were performed;
- (iv) findings relating to the tests that were performed or particular aspects of the engagement;
- (v) details of the qualifications and experience of the assurance practitioner and others involved with the engagement;
- (vi) disclosure of materiality levels; or
- (vii) recommendations.

The assurance practitioner may find it helpful to consider the significance of providing such information to meet the needs of the intended users. As required by paragraph 61², additional information is clearly separated from the assurance practitioner's conclusion and worded in such a manner as to make it clear that it is not intended to alter or detract from that conclusion.

~~(+)(q)~~ Material in the context of a compliance engagement—

- (i) in relation to potential (for risk assessment purposes) or detected (for evaluation purposes) non-compliance – instance(s) of non-compliance that are significant, individually or collectively, in the context of the entity's compliance with compliance requirements, and that affect the assurance practitioner's conclusion; and/or
- (ii) in relation to the compliance framework and controls – instance(s) of deficiency that are significant in the context of the entity's control environment and that may raise the compliance engagement risk sufficiently to affect the assurance practitioner's conclusion.

~~(s)(r)~~ Misstatement—For attestation engagements on compliance, a difference between the compliance outcome and the evaluation of the compliance activity ~~against~~ ~~accordance with~~ the compliance requirements. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions.

~~(+)(s)~~ Non-compliance—For both attestation and direct engagements on compliance, a failure to meet a compliance requirement in whole or in part.

- (t) Professional judgement—The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.
- (u) Professional scepticism—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.
- (v) Reasonable assurance engagement—An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner’s conclusion. The assurance practitioner’s conclusion is expressed in a form that conveys the assurance practitioner’s opinion on the outcome of the evaluation of the compliance activities against compliance requirements.
- (w) Representation—Statement by the responsible party, either oral or written, provided to the assurance practitioner to confirm certain matters or to support other evidence. A representation is additional to but may be provided in combination with the responsible party’s or evaluator’s Statement provided in an attestation engagement, as set out in paragraph 16(a).
- (x) Responsible party—The party(ies) responsible for the underlying subject matter, being the compliance activity(ies) in a compliance engagement.
- (y) Short-form report—Assurance report including only the matters required under paragraph 60 of this ASAE.
- (z) Statement—The outcome in writing of the responsible party or evaluator’s evaluation of the compliance activities against the compliance requirements, provided to the assurance practitioner in an attestation engagement. A Statement is the subject matter information in an attestation engagement on compliance.

Requirements

Applicability of ASAE 3000

18. The assurance practitioner shall not represent compliance with this ASAE unless the assurance practitioner has complied with the requirements of this ASAE and ASAE 3000, adapted as necessary in the case of direct engagements. ASAE 3000 contains requirements and application and other explanatory material specific to attestation assurance engagements but it also applies to direct assurance engagements, adapted as necessary in the engagement circumstances.⁶ If this ASAE makes reference to a requirement in ASAE 3000, that requirement shall be applied to both attestation and direct engagements, unless specified otherwise. (Ref: Para. A1, Appendix 43)

Ethical Requirements

19. As required by ASAE 3000, the assurance practitioner shall comply with relevant ethical requirements related to assurance engagements.⁷ (Ref: Para. A6)

⁶ See ASAE 3000, paragraph 2.

⁷ See ASAE 3000, paragraphs Aus 20.1 and ASA 102 [Compliance with Ethical Requirements when Performing Audits, Reviews and Other assurance Engagements.](#)

Acceptance and Continuance

Preconditions for the Assurance Engagement^[jm1]

20. The assurance practitioner shall accept or continue a compliance engagement only in the circumstances required by ASAE 3000, including that the preconditions for an assurance engagement are present, unless required to accept the engagement by law or regulation.

Appropriateness of the Subject Matter

21. When establishing whether the preconditions for an assurance engagement as required by ASAE 3000 are present, the assurance practitioner is required to assess the appropriateness of the subject matter.⁸ In doing so, the assurance practitioner shall determine whether the compliance activities which are to be evaluated are appropriate in addressing the needs of users, that is whether the performance of those activities determines whether the compliance requirements have been met. (Ref: Para. A9-A11)
22. If the subject matter is not appropriate, the assurance practitioner shall not accept the engagement or, if this is determined after accepting the engagement, either withdraw from the engagement or issue a modified conclusion.

Assessing the Suitability of the Criteria

23. When establishing whether the preconditions for an assurance engagement as required by ASAE 3000 are present, the assurance practitioner shall determine the suitability of the criteria expected to be applied, whether the criteria are provided by the engaging party, as in an attestation engagement, or are to be identified, selected or developed by the assurance practitioner, as in a direct engagement, including that they exhibit the characteristics set out in ASAE 3000.⁹ (Ref: Para. 17(b), A12-A16).

Agreeing on the Terms of the Engagement

24. ASAE 3000¹⁰ requires the parties to the engagement to agree on the terms of the assurance engagement in writing. The assurance practitioner shall obtain the agreement of the responsible party, that it acknowledges and understands its responsibility:
- (a) In an attestation engagement, for evaluating the compliance activity against the compliance requirements and providing a written Statement regarding the outcome of that evaluation and for having a reasonable basis for the written Statement;
 - (b) For identifying suitable compliance requirements and whether they were specified by law, regulation, contract, another party (for example, a user group or a professional body) or developed by the responsible party or assurance practitioner;
 - (c) For providing the assurance practitioner with:
 - (i) Access to all information, such as records, documentation and other matters of which the responsible party is aware are relevant to the compliance outcomes of the activity;
 - (ii) Additional information that the assurance practitioner may request from the responsible party for the purposes of the assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom the assurance practitioner determines it necessary to obtain evidence.

⁸ See ASAE 3000, paragraph 24(b)(i).

⁹ See ASAE 3000, paragraph 24(b).

¹⁰ See ASAE 3000, paragraph 27.

25. The terms of engagement shall identify:

- (a) The scope of the engagement;
- (b) Whether the engagement is a reasonable or limited assurance engagement;
- (c) Whether the engagement is an attestation or direct engagement and, in the case of an attestation engagement, the form of the responsible party's or evaluator's evaluation of the compliance activity or Statement and whether that Statement will be available to intended users or only referenced in the assurance report; (Ref: Para. A17)
- (d) Throughout the specified period or as at the specified date to be covered by the engagement; (Ref: Para. A18)
- (e) The compliance requirements against which the compliance activity will be evaluated;
- (f) The intended users of the assurance report;
- (g) The content of the assurance report, including whether it will be a short-form or long form report, including additional information such as the compliance requirements, procedures conducted, detailed findings and recommendations to meet the needs of the intended users; and (Ref: Para. A20)
- (h) Any other matters required by law or regulation (e.g. reporting all matters of non-compliance identified to the regulator¹¹) to be included in the terms of engagement. (Ref: Para. 27)

Acceptance of a Change in the Terms of the Engagement

26. If the engaging party requests a change in the terms of the engagement before the completion of the engagement, the assurance practitioner shall be satisfied that there is a reasonable justification for the change as required by ASAE 3000.¹² (Ref: Para. A16)

Assurance Report Prescribed by Law or Regulation

27. If law or regulation prescribe the compliance requirements for evaluation or the form and content of the assurance report, the assurance practitioner evaluates the compliance requirements and form and content of the assurance report. If the compliance requirements are unsuitable or if intended users might misunderstand the assurance report, the assurance practitioner shall: (Ref: Para. A17, A49)

- (a) Not accept the engagement unless additional explanation in the report mitigates these circumstances; or
- (b) Not include any reference within the assurance report to the engagement having been conducted in accordance with ASAE 3000 or this ASAE, if required to accept the engagement by law or regulation.

Quality Control

28. The assurance practitioner shall implement quality control procedures as required by ASAE 3000.¹³

¹¹ [An example of where this would apply is the compliance component of an AFSL Licensee FS 71 engagement where the Australian Securities and Investments Commission \(ASIC\) require reporting of all breaches.](#)

¹² See ASAE 3000, paragraph 29.

¹³ See ASAE 3000, paragraphs 31-36.

Professional Scepticism, Professional Judgement and Assurance Skills and Techniques

29. The assurance practitioner shall apply professional scepticism, exercise professional judgement and apply assurance skills and techniques in planning and performing an assurance engagement on compliance as required by ASAE 3000.¹⁴ In applying professional scepticism, the assurance practitioner shall recognise the possibility that non-compliance due to fraud could exist, notwithstanding the assurance practitioner's past experience of the honesty and integrity of the entity's management and those charged with governance.

Planning and Performing the Engagement

Planning

30. The assurance practitioner shall plan the engagement so that it will be performed in an effective manner as required by ASAE 3000.¹⁵ (Ref: Para. A22)

~~31. In planning the engagement, if the scope of the engagement is based on the criteria, then the assurance practitioner shall identify the compliance requirements and design procedures to evaluate if in all material respects they have been met. (Ref: Para. A1)~~

Materiality

~~32.~~31. The assurance practitioner shall consider materiality, as required by ASAE 3000,¹⁶ when determining the nature, timing and extent of procedures. (Ref: Para. A24-A27)

~~33.~~32. The assurance practitioner shall identify any non-compliance as material if it is significant to the achievement of the compliance requirements to be concluded upon. During the engagement the assurance practitioner shall reassess the materiality of any non-compliance with compliance requirements if matters come to their attention which indicate that the basis on which the materiality was determined has changed.

~~34.~~33. The assurance practitioner shall also consider materiality when evaluating the effect of accumulated deficiencies in the compliance framework or non-compliance with the compliance requirements. Material deficiencies or non-compliance are those which could significantly impact the compliance requirements being met and reasonably be expected to influence relevant decisions of the intended users. (Ref: Para. A42)

Obtaining an Understanding of the Compliance Framework and Compliance Requirements

Limited Assurance	Reasonable Assurance
34L. The assurance practitioner shall obtain an understanding of the entity's compliance framework and its key elements and the compliance requirements which are included in the scope of the engagement, and other engagement circumstances, and on the basis of that understanding, the assurance practitioner shall: (Ref: Para. A28-A30) (a) For a direct engagement, consider whether the identification, selection or development of compliance requirements is appropriate, and/or	34R. The assurance practitioner shall obtain an understanding of the entity's compliance framework and its key elements and the compliance requirements which are included in the scope of the engagement, and other engagement circumstances, and on the basis of that understanding, the assurance practitioner shall: (Ref: Para. A28-A30) (a) For a direct engagement, consider whether the identification, selection or development of compliance requirements is appropriate, and/or

¹⁴ See ASAE 3000, paragraphs 37-39.

¹⁵ See ASAE 3000, paragraph 40.

¹⁶ See ASAE 3000, paragraph 44.

Limited Assurance	Reasonable Assurance
select or develop further suitable compliance criteria requirements; (b) For both attestation and direct engagements: (i) Identify areas where the risks that may cause non-compliance with each of the compliance requirements to be concluded upon are likely to arise; and (ii) Use as a basis for designing and performing assurance procedures to respond to the risks identified in paragraph 34L(b)(i).	select or develop further suitable compliance criteria requirements; (b) For both attestation and direct engagements: (i) Identify and assess the risks that may cause non-compliance with each of the compliance requirements to be concluded upon; and (ii) Use as a basis for designing and performing assurance procedures to respond to the risks identified in paragraph 34R(b)(i); and (c) Obtain an understanding of the relevant internal controls over the compliance activity to meet the compliance requirements, evaluating the design of those controls and determining whether they have been implemented.

Identifying Risks of Fraud

~~36.~~35. When performing risk assessment procedures and related activities to obtain an understanding of the compliance framework and other engagement circumstances, the assurance practitioner shall obtain sufficient information for use in identifying the risks of the compliance requirements not being met due to fraud. (Ref: Para. A31-A33)

Determining Whether and to What extent to use the Work of the Internal Audit Function

~~37.~~36. The assurance practitioner determines whether the entity has an internal audit function and, if so, makes further enquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the compliance outcomes.

~~38.~~37. If the assurance practitioner's evaluation of the internal audit function confirms that the work of the internal audit function can be used for purposes of the compliance engagement, then the assurance practitioner shall determine the planned effect of the work of the internal audit function on the nature, timing or extent of the assurance practitioner's procedures and in doing so, shall consider: (Ref: Para. A34, A40-A41)

- (a) The nature and scope of work performed, or to be performed, on the compliance framework by the internal audit function;
- (b) The significance of that work to the assurance practitioner's conclusions; and
- (c) The degree of subjectivity involved in the evaluation of the evidence obtained in support of those conclusions.
- (d) Re-performing some of the work of the internal audit function that is planned to be used.

~~39.~~38. If the assurance practitioner plans to use the work of the internal audit function, in accordance with paragraph ~~37~~8, the assurance practitioner shall evaluate it as required by ASAE 3000.¹⁷
 (Ref: Para. A34)

~~40.~~39. The use of internal auditors to provide direct assistance is prohibited in an assurance engagement conducted in accordance with this ASAE. Direct assistance is the performance of assurance procedures under the direction, supervision and review of the assurance practitioner.¹⁸ This prohibition does not preclude reliance on the work of the internal audit function to modify the nature or timing, or reduce the extent, of assurance procedures to be performed directly by the assurance practitioner. (Ref: Para. A34)

Obtaining Evidence

~~41.~~40. Based on the assurance practitioner's understanding obtained under paragraph 34L and 34R, the assurance practitioner shall perform assurance procedures to respond to identified or assessed risks in paragraph 34L(b) to obtain limited or 34R(b) to obtain reasonable assurance to support the assurance practitioner's conclusion. (Ref: Para. A35-A36)

~~42.~~41. The assurance practitioner shall design and perform additional procedures, the nature, timing and extent of which are responsive to the risks of material deficiency in the compliance framework or non-compliance with compliance requirements, having regard to the level of assurance required, reasonable or limited, as appropriate. (Ref: Para. A37)

Responses to Assessed Risks of Fraud

~~43.~~42. The assurance practitioner shall treat those assessed risks of compliance requirements not being met due to fraud as significant risks and accordingly, the assurance practitioner shall design and perform further assurance procedures, on controls designed to mitigate such risks, whose nature, timing and extent are responsive to those assessed risks, having regard to the level of assurance required, reasonable or limited, as appropriate. (Ref: Para. A31)

Obtaining Evidence Regarding the Compliance Activity

~~44.~~43. When reporting on compliance throughout the specified period or as at a specified date, the assurance practitioner shall evaluate those compliance activities that the assurance practitioner has determined are necessary to meet the compliance requirements identified, and assess their compliance throughout the specified period or as at a specified date. (Ref: Para. A35)

Limited Assurance	Reasonable Assurance
44L. The nature, timing and extent of evaluation of compliance activities, shall ordinarily be limited to discussion with entity personnel, observation of the system in operation and walk-through for an appropriate number of instances of material compliance activities to identify any non-compliance. Alternatively, the results of exception reporting, monitoring or other management controls may be examined to provide evidence about the operation of the compliance activity rather than directly testing it. (Ref: Para. A35)	44R. The nature, timing and extent of testing and evaluation of compliance activities, shall ordinarily include, in addition to discussion with entity personnel and observation of the activity in operation for non-compliance, re-performance of <u>a sample of</u> compliance activities, or other examination and follow up of the application of compliance activities, on a test basis to provide sufficient appropriate evidence on which to base a conclusion. The results of exception reporting, monitoring or other management controls may be examined to reduce the extent of direct testing and evaluation of the operation of the compliance activity but

¹⁷ See ASAE 3000, paragraph 55.

¹⁸ See ASAE 3000, paragraphs 3 and Aus 20.1.

Limited Assurance	Reasonable Assurance
	shall not eliminate it entirely. (Ref: Para. A35)
45L. The assurance practitioner shall apply professional judgement in determining the specific nature, timing and extent of procedures to be conducted, which will depend on the assessed risks of material non-compliance with the compliance requirements. If the assurance practitioner determines that additional assurance procedures are required to dispel or confirm a suspicion that a material non-compliance exists, the performance of such additional procedures shall not convert the engagement to a reasonable assurance engagement as they relate to the reduction of risk to an acceptable level with respect to that matter alone. (Ref: Para. A36-A37)	45R. The assurance practitioner shall apply professional judgement in determining the specific nature, timing and extent of procedures to be conducted, which will depend on the assessed risks of material non-compliance with the compliance requirements. (Ref: Para. A36)
	46R. When determining the extent of testing and evaluation of compliance activities, the assurance practitioner shall consider matters including the characteristics of the population to be tested and evaluated, which includes the nature of the compliance activity, the frequency of their occurrence (for example, monthly, daily, a number of times per day), and the expected rate of non-compliance. Some compliance activities operate continuously, while others operate only at particular times, so the testing and evaluation of compliance shall be performed throughout the specified period of time that is sufficient to allow the practitioner to conclude.(Ref: Para. A37)

Sampling

~~48.~~47. When the assurance practitioner uses sampling to test compliance, the assurance practitioner shall: (Ref: Para. 46R)

- (a) Consider the purpose of the procedure and the characteristics of the compliance activity from which the sample will be drawn when designing the sample;
- (b) Determine a sample size sufficient to reduce sampling risk to an acceptably low level;
- (c) Select items for the sample in such a way that each sampling unit in the population has a chance of selection and the sample is representative of the population; and
- (d) If unable to apply the designed procedures, or suitable alternative procedures, to a selected item, treat that item as a deviation.

Non-compliance with Other Laws or Regulations

- | ~~49.~~48. If the assurance practitioner becomes aware of information concerning an instance of non-compliance or suspected non-compliance with respect to other laws and regulations, the assurance practitioner shall:
- (a) Obtain an understanding of the nature of the act and the circumstances in which it occurred and if the assurance practitioner suspects there may be non-compliance;
 - (b) Discuss the matter with management and, if those matters are intentional or material, those charged with governance, unless management or those charged with governance are suspected of involvement in the non-compliance, in which case a level of authority above those suspected of involvement;
 - (c) Determine whether the assurance practitioner has a responsibility to report the identified or suspected non-compliance to parties outside of the entity and, if necessary, seek legal advice;
 - (d) If sufficient information regarding suspected non-compliance cannot be obtained, evaluate the effect of insufficient evidence on the assurance conclusion;
 - (e) Evaluate the implications of non-compliance in relation to other aspects of the engagement, including the risk assessment and the reliability of written representations; and

Work Performed by an Assurance Practitioner's Expert

- | ~~50.~~49. When the assurance practitioner plans to use the work of an assurance practitioner's expert, the assurance practitioner shall comply with the requirements in ASAE 3000.¹⁹ (Ref: Para. A38)

Work Performed by Another Assurance Practitioner or a Responsible Party's or Evaluator's Expert, or an Internal Auditor

- | ~~51.~~50. If the assurance practitioner plans to use information prepared using the work of another assurance practitioner or a responsible party's or evaluator's expert or an internal auditor, as evidence, the assurance practitioner shall comply with the requirements of ASAE 3000.²⁰ (Ref: Para. A39)

Evaluation and Communication of Evidence

Evaluating the Evidence Obtained (Ref: Para. A42-A43)

- | ~~52.~~51. ASAE 3000²¹ requires the assurance practitioner to accumulate uncorrected misstatements identified during the engagement other than those that are clearly trivial. Misstatements in a compliance engagement are instances of non-compliance with the compliance requirements.
- | ~~53.~~52. Evaluation of evidence obtained by the assurance practitioner shall include any impact of corrected misstatements identified during the compliance engagement.
- | ~~54.~~53. The assurance practitioner evaluates individually and in aggregate, whether non-compliance with the compliance requirements is material. (Ref: Para. A42)
- | ~~55.~~54. The assurance practitioner communicates these material non-compliances with the compliance requirements to the responsible party or those charged with governance as soon as practicable.

¹⁹ See ASAE 3000, paragraph 52.

²⁰ See ASAE 3000, paragraphs 53-54.

²¹ See ASAE 3000, paragraph 51.

Written Representations

- | ~~56.~~55. The assurance practitioner shall request the responsible party, or other relevant person(s) within the entity to provide written representations, in addition to those required by ASAE 3000,²² that the responsible party: (Ref: Para. A43)
- (a) In the case of an attestation engagement, reaffirms their Statement regarding the outcome of the responsible party's evaluation of the compliance activity against the compliance requirements throughout the specified period or as at a specified date;
 - (b) Acknowledges its responsibility for the compliance activity, including identifying the risks that threaten achievement of the compliance requirements, and designing, implementing and maintaining internal controls to mitigate those risks, including the risk of fraud, so that those risks will not prevent achievement of the compliance requirements;
 - (c) Has provided the assurance practitioner with all relevant information and access agreed to, as set out in paragraph 23(c)(i);
 - (d) Has disclosed to the assurance practitioner any of the following of which it is aware may be relevant to the engagement:
 - (i) Instances of non-compliance with the compliance requirements; or
 - (ii) Any events subsequent to the specified period or as at the specified date covered by the assurance practitioner's conclusion up to the date of the assurance report that could have a significant effect on the assurance practitioner's conclusion.

The assurance practitioner shall evaluate written representations in accordance with ASAE 3000. (Ref: Para. A44)

Subsequent Events

- | ~~57.~~56. When relevant to the compliance engagement, the assurance practitioner shall consider the effect on the compliance outcome of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the assurance practitioner after the date of the assurance conclusion, that had they been known to the assurance practitioner at that date, may have caused the assurance practitioner to amend the assurance conclusion. The extent of consideration of subsequent events depends on the potential for such events to impact the assurance practitioner's conclusion. The assurance practitioner has no responsibility to perform any procedures regarding the compliance outcome after the date of the assurance report. (Ref: Para. A46-A47)

Forming the Assurance Conclusion

- | ~~58.~~57. The assurance practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary, attempt to obtain further evidence. If the assurance practitioner is unable to obtain necessary further evidence, the assurance practitioner shall consider the implications for the assurance practitioner's conclusion in accordance with ASAE 3000.²³ The assurance practitioner shall qualify their conclusion if the possible effects of undetected non-compliance with the compliance requirements due to an inability to obtain sufficient appropriate evidence could be material, and shall disclaim their conclusion if the possible effects could be both material and pervasive.

²² See ASAE 3000, paragraph 56.

²³ See ASAE 3000, paragraph 66.

59.58. When the assurance practitioner forms a conclusion in accordance with ASAE 3000,²⁴ the assurance practitioner shall evaluate the materiality, individually and in aggregate whether due to fraud or error, of any non-compliance with the compliance requirements. If the non-compliances identified are: (Ref: Para. A42-A43)

- (a) Material but not pervasive, the assurance practitioner shall qualify their assurance conclusion with respect to the relevant matter; or
- (b) Material and pervasive, the assurance practitioner shall issue an adverse conclusion.

Preparing the Assurance Report

60.59. The assurance practitioner shall prepare the assurance report in accordance with ASAE 3000²⁵ for attestation engagements and shall also apply those requirements for direct engagements.

Assurance Report Content

61.60. For both attestation and direct engagements, the assurance practitioner shall include in the assurance report the basic elements required by ASAE 3000,²⁶ which are at a minimum:

- (a) A title, indicating that it is an independent assurance report;
- (b) An addressee;
- (c) An identification of whether reasonable or limited assurance has been obtained by the assurance practitioner;
- (d) Identification of the compliance requirements;
- ~~(d) Whether the assurance practitioner is reporting on compliance -activity which is the subject matter of the engagement including-~~
- ~~(e) The distinguishing features of the compliance activity which was subject to the compliance engagement;~~
- ~~(f)(e) The throughout the specified period or as at the a specified date covered by the compliance engagement;~~
- ~~(g)(f) In the case of an attestation engagement, reference to the responsible party's Statement as required by paragraph 23(a) and whether that Statement is available to intended users by accompanying the assurance report, reproduction in the assurance report or another identified source;~~
- ~~(h)(g) Identification of the overall and/or specific compliance requirements used as criteria used for evaluating the compliance of the activity and the party specifying those compliance requirements criteria;~~
- ~~(i)(h) If appropriate, a description of any significant inherent limitations associated with the evaluation of the compliance activity against the compliance requirements;~~
- ~~(j)(i) A statement that the responsible party or evaluator is responsible for:~~
 - (i) In an attestation engagement:
 - a. Providing a Statement with respect to the outcome of the evaluation of the compliance activity against the compliance requirements;

²⁴ See ASAE 3000, paragraphs 64-65.

²⁵ See ASAE 3000, paragraphs 67-69.

²⁶ See ASAE 3000, paragraph 69.

- b. Identifying the compliance requirements (where not identified by Parliament, the Government, law or regulation, or another party, for example, a user group or a professional body); and
 - (ii) In both an attestation and a direct engagement:
 - a. The compliance activity covered by the assurance practitioner's report;
 - b. Designing and implementing controls to enable the compliance requirements to be met and to monitor ongoing compliance;
- ~~(4)(j)~~ A statement that the assurance practitioner's responsibility is to express a conclusion on whether the compliance requirements have, in all material respects, been met;
- ~~(4)(k)~~ A statement that the engagement was performed in accordance with ASAE 3100 *Compliance Engagements*;
- ~~(4)(l)~~ A statement that the firm of which the assurance practitioner is a member applies ASQC 1;
- ~~(4)(m)~~ A statement that the assurance practitioner complies with the independence and other relevant ethical requirements related to assurance engagements;
- ~~(4)(n)~~ An informative summary of the work performed as a basis for the assurance practitioner's conclusion. In the case of a limited assurance engagement, an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance practitioner's conclusion. In a limited assurance engagement, the summary of the work performed shall state that: (Ref: Para. A50-A54)
 - (i) The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
 - (ii) Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed;
- ~~(4)(o)~~ When the criteria used to evaluate the compliance requirements are available only to specific intended users, or are relevant only for a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose; (Ref: Para. A55)
- ~~(4)(p)~~ Either, the assurance practitioner's opinion for a reasonable assurance engagement or the assurance practitioner's conclusion for a limited assurance engagement about whether, in all material respects the entity complied with the compliance requirements throughout the specified period or as at a specified date;
- ~~(4)(q)~~ When the assurance practitioner expresses a modified conclusion, the assurance report shall contain:
 - (i) A section (entitled: Basis for Qualified/Adverse/Disclaimer of Conclusion/Opinion) that provides a description of the matter(s) giving rise to the modification; and
 - (ii) A section that contains the assurance practitioner's modified conclusion;
- ~~(4)(r)~~ The assurance practitioner's signature, the date of the assurance report and the location in the jurisdiction where the assurance practitioner practices.

- | ~~62.~~61. If the assurance practitioner provides a long-form assurance report to meet the information needs of users, as agreed in the terms of engagement, or as required by law or regulation, the assurance practitioner's report shall include a separate section, or an attachment, containing any other information and explanations that are not intended to affect the assurance practitioner's conclusion and are clearly identified as such. (Ref: Para. A48)
- | ~~63.~~62. If the assurance practitioner is required to conclude on other subject matters under different AUASB standards in conjunction with an engagement to report under this ASAE, the assurance report shall include a separate section for each subject matter in the assurance report, clearly differentiated by appropriate section headings.

Emphasis of Matter and Other Matter Paragraphs

- | ~~64.~~63. The assurance practitioner shall include an Emphasis of Matter or Other Matter paragraph in the circumstances provided for in ASAE 3000²⁷ for an attestation engagement. In a direct engagement, if the assurance practitioner considers it necessary to communicate a matter that, in the assurance practitioner's judgement, is relevant to intended users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report, the assurance practitioner shall include in the assurance report an Other Matter paragraph, with an appropriate heading, that clearly indicates the assurance practitioner's conclusion is not modified in respect of the matter.

Modified Conclusions

- | ~~65.~~64. If the assurance practitioner concludes that the compliance activity has not met the compliance requirements throughout the specified period or as at a specified date; or the assurance practitioner is unable to obtain sufficient appropriate evidence, the assurance practitioner's conclusion shall be modified, and the assurance practitioner's report shall include a section with a clear description of all the reasons for the modification. (Ref: Para. A56-A58)

Scope Limitation

- | ~~66.~~65. When a scope limitation is imposed by the circumstances of the particular engagement, the assurance practitioner shall attempt to perform alternative procedures to overcome the limitation. When a scope limitation exists and remains unresolved, the wording of the assurance practitioner's conclusion shall indicate that it is qualified as to the effects of any instances of non-compliance with the compliance requirements, which might have been identified had the limitation not existed. If the effect of the unresolved scope limitation is both material and pervasive, the assurance practitioner shall express a disclaimer of conclusion. (Ref: Para. A59)

Other Communication Responsibilities

- | ~~67.~~66. The assurance practitioner shall consider whether, pursuant to the terms of the engagement, if applicable, and other engagement circumstances, any matter has come to the attention of the assurance practitioner that is to be communicated with the responsible party, the evaluator, the engaging party, those charged with governance or others, as required by ASAE 3000.²⁸ If during the course of the engagement the assurance practitioner identifies any non-compliance with the entity's compliance requirements other than those which are clearly trivial, the assurance practitioner shall report to an appropriate level of management or those charged with governance on a timely basis those matters of non-compliance. (Ref: Para. A61)

²⁷ See ASAE 3000, paragraph 73.

²⁸ See ASAE 3000, paragraph 78.

- ~~68.67.~~ In limited circumstances the assurance practitioner may be required under the terms of the engagement to report all instances of non-compliance with the compliance requirements to the regulator²⁹.
- ~~69.68.~~ If the assurance practitioner has identified a fraud or has obtained information that indicates that a fraud may exist, the assurance practitioner shall communicate these matters on a timely basis to the appropriate level of management or those charged with governance in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. The assurance practitioner shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. (Ref: Para. A60)
- ~~70.69.~~ The assurance practitioner shall design engagement procedures to gather sufficient appropriate evidence to form a conclusion in accordance with the terms of the engagement. In the absence of a specific requirement in the terms of engagement the assurance practitioner does not have a responsibility to design procedures to identify matters outside the scope of the engagement that may be appropriate to report to management or those charged with governance.

Documentation

- ~~71.70.~~ The assurance practitioner shall prepare documentation in accordance with ASAE 3000.³⁰ In documenting the nature, timing and extent of procedures performed as required by ASAE 3000, the assurance practitioner shall record (Ref: Para. A62):
- (a) The identifying characteristics of the compliance activity being tested;
 - (b) Who performed the work and the date such work was completed; and
 - (c) Who reviewed the work performed and the date and extent of such review.
- ~~72.71.~~ If the assurance practitioner uses specific work of the internal audit function, the assurance practitioner shall document the conclusions reached regarding the evaluation of the adequacy of the work of the internal audit function, and the procedures performed by the assurance practitioner on that work.

* * *

²⁹ [As an example where this would apply is the compliance component of an AFSL Licensee FS 71 engagement where ASIC require reporting of all breaches.](#)

³⁰ See ASAE 3000, paragraphs 79-83.

Application and Other Explanatory Material

Application (Ref: Para. 1)

- A1. Engagements which are covered by this ASAE and those that are covered by other subject matter specific ASAEs have been further illustrated at Appendix 43.

Introduction (Ref: Para. 3-13)

- A2. The primary purpose of an assurance engagement is the conduct of assurance procedures to provide an assurance conclusion. However, the assurance practitioner is not precluded from providing recommendations for improvements to the compliance framework or compliance activities in conjunction with or as a result of conducting an assurance engagement to report on compliance.
- A3. The risks, compliance requirements and related controls addressed in an engagement under this ASAE may relate to any subject matter relevant to the entity. The subject matter can be any activity of the entity, such as: compliance with legislation or regulation; contractual arrangements or policy and procedures.
- A4. The primary practical difference for the assurance practitioner between an attestation and a direct engagement is the additional work effort for a direct engagement when planning the engagement and understanding the compliance framework and other engagement circumstances e.g. criteria to be applied. In a direct engagement the assurance practitioner identifies or selects the compliance requirements which address the purpose or overall objective of the compliance engagement. This difference affects the assurance practitioner's work effort in planning a direct engagement if the compliance requirements have not been identified or documented and in understanding the entity's compliance framework where a description is not available.
- A5. In a three party relationship, which is an element of an assurance engagement,³¹ the responsible party may or may not be the engaging party, but is responsible for the compliance activities which are the underlying subject matter of the engagement and is a separate party from the intended users. The responsible party and the intended users may both be internal to the entity, for example if the responsible party is at an operational level of management and the intended users are at the level of those charged with governance, such as the Board or Audit Committee. See Appendix 1 for a discussion of how each of these roles relate to an assurance engagement on compliance.

Ethical Requirements (Ref: Para. 19)

- A6. In accepting an assurance engagement on compliance, the assurance practitioner, in order to comply with relevant ethical requirements, considers whether the assurance practitioner has provided internal audit or consulting services with respect to the compliance framework or implementation of controls at the entity, as any such past or current engagements are likely to impact on the assurance practitioner's independence and are likely to preclude acceptance of the engagement.

Acceptance and Continuance

Competence and Capabilities to Perform the Engagement

- A7. Relevant competence and capabilities to perform the compliance engagement, as required by ASAE 3000³² by persons who are to perform the engagement, include matters such as the following:

³¹ See Framework for Assurance Engagements.

³² See ASAE 3000, paragraph 32.

- Knowledge of the relevant industry, compliance frameworks, ~~type of system and of~~ the nature of the overall compliance requirements (for example: emissions quantification or regulatory compliance).
- An understanding of controls, IT and systems.
- Experience in evaluating risks as they relate to the compliance requirements.
- Experience in the design and execution of tests of compliance and the evaluation of the results.

Rational Purpose

- A8. When considering the acceptance of a limited assurance engagement on compliance, ASAE 3000 requires the assurance practitioner to determine whether a meaningful level of assurance is expected to be able to be obtained,³³ which may include whether a limited assurance engagement is likely to be meaningful to users. In making this assessment, the assurance practitioner considers the intended users of the assurance report and whether they are likely to understand the limitations of a limited assurance engagement, including the need to read the assurance report in detail to understand the assurance procedures performed and the assurance obtained.

Assessing the Appropriateness of the Subject Matter (Ref: Para. 21)

- A9. An appropriate subject matter is:
- (a) Identifiable, and capable of consistent evaluation against the identified criteria; and
 - (b) Such that the information about it can be subjected to procedures for gathering sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.
- A10. Examples of subject matters that may be appropriate for a compliance engagement include compliance with the following:
- General Insurers and Insurance Groups - Risk Management Strategy & Reinsurance Management Strategy (RMS/REMS).
 - Treasurer's Instructions.
 - Managed Investment Schemes – Compliance Plan.
 - Registered Superannuation Entity – SIS Act requirements (SPS 310).
 - Financial Services Licensee – Corporations Act 2001 requirements.
- A11. For further guidance on assessing the appropriateness of the subject matter refer to Appendix [32](#) and ASAE 3000³⁴.

Assessing the Suitability of the Criteria (Ref: Para. 23)

- A12. Where the criteria are prescribed by legislation or regulation the criteria will [ordinarily](#) be deemed to be suitable for the purposes of the compliance engagement. In limited circumstances where this is not the case, the assurance practitioner needs to assess the suitability of the criteria.
- A13. In the context of a compliance engagement, examples of criteria include:

³³ See ASAE 3000, paragraph 24(b)(vi).

³⁴ See ASAE 3000, paragraph 24(b)(i).

- Externally imposed criteria under law or directives, including:
 - Legislation.
 - Regulation.
 - Other statutory requirements (e.g. ASIC Regulatory Guides and Practice Notes or APRA Prudential Standards).
 - Ministerial directives.
 - Industry or professional obligations (professional standards or guidance, codes of practice or conduct).
 - Enforceable contractual obligations.
 - Enforceable undertakings.
- Internally imposed criteria, as determined by management, including:
 - Organisational policies and procedures.
 - Frameworks, for example, compliance framework based on ISO 19600 – Compliance Management Systems

A14. Criteria need to be identified by the parties to the engagement and agreed by the engaging party and the assurance practitioner. The assurance practitioner may need to discuss the criteria to be used with those charged with governance, management and the intended users of the report. Criteria can be either established or specifically developed. The assurance practitioner normally concludes that established criteria embodied in laws or regulations or issued by professional bodies, associations or other recognised authorities that follow due process are suitable when the criteria are consistent with the objective. Other criteria may be agreed to by the intended users of the assurance practitioner's report, or a party entitled to act on their behalf, and may also be specifically developed for the engagement.

A15. In situations where the criteria have been specifically developed for the engagement, including where the assurance practitioner develops or assists in developing criteria, the assurance practitioner obtains from the intended users or a party entitled to act on their behalf, acknowledgment that the specifically developed criteria are sufficient for the user's purposes. (Ref: Para. 26)

A16. The criteria may need to be amended during the engagement, if for example more information becomes available or the circumstances of the entity change. Any changes in the criteria are discussed with the engaging party and, if appropriate the intended users.

Agreeing on the Terms of the Engagement (Ref: Para. 24-25)

- A17. When agreeing whether the engagement is to be conducted as an attestation or direct engagement, the assurance practitioner considers factors such as whether:
- (a) There is a regulatory requirement or users need an evaluation of the compliance activity by the responsible party or evaluator (Ref: Para. 27);
 - (b) The entity has the resources and expertise to prepare a suitable description or documentation of the [compliance activity](#), compliance requirements and related controls and conduct a meaningful evaluation of the [compliance outcome](#) ~~or controls~~; or
 - (c) It is more cost effective for the entity to identify the specific compliance [activities](#), requirements and related controls, evaluate the [compliance outcome](#) ~~or compliance~~

[activities](#) as the basis for an attestation engagement, rather than it being necessary for the assurance practitioner to do so in a direct engagement.

- A18. The assurance practitioner considers the needs of users and the period in which the compliance activity has been in place in agreeing the specified date or the specified period to be covered by the assurance engagement, so that the report is not likely to be misleading.
- A19. If the criteria are available when agreeing the terms of engagement, they may be listed or attached to the engagement letter or other written terms.
- A20. When agreeing whether the report will be in long-form, including matters such as evaluation of compliance procedures and detailed findings, the assurance practitioner considers both the needs of users and the risks of users misunderstanding the context of the procedures conducted or the findings reported. Reporting evaluation of compliance procedures and findings may be appropriate where the users are knowledgeable with respect to assurance and the compliance requirements and, therefore, not likely to misinterpret those findings.
- A21. An example engagement letter is contained in Appendix [54](#).

Planning and Performing the Engagement

Planning (Ref: Para. 30-1)

- A22. The nature and extent of planning activities will vary with the compliance engagement circumstances, for example the size and complexity of the compliance activity and [requirements](#), the assurance practitioner's previous experience with this area and the entity as a whole. Examples of the main matters to be considered when developing the engagement plan include:
- (a) [M](#)matters affecting the industry in which the entity operates, for example economic conditions, laws and regulations, and technology;
 - (b) [R](#)isks to which the entity is exposed that are relevant to the compliance activity being examined;
 - (c) [T](#)he quality of the control environment within the entity and the role of the governing body, audit committee and internal audit function;
 - (d) [K](#)nowledge of the entity's internal control structure obtained during other engagements;
 - (e) [T](#)he extent of recent changes if any, in the entity, its operations or its compliance framework;
 - (f) [M](#)ethods adopted by management to evaluate the effectiveness of the compliance framework;
 - (g) [P](#)reliminary judgements about significant risk;
 - (h) [T](#)he nature and extent of evidence likely to be available;
 - (i) [T](#)he nature of control procedures relevant to the compliance activity and their relationship to the compliance framework taken as a whole; and
 - (j) [T](#)he assurance practitioner's preliminary judgement about the effectiveness of the compliance framework taken as a whole and of the control procedures within the framework.
 - (k) [T](#)he terms of the compliance engagement.

- (l) The characteristics of the compliance activity and the identified criteria.
- (m) Identification of intended users and their needs, and consideration of materiality and the components of compliance engagement risk.
- (n) Personnel and expertise requirements, including the nature and extent of involvement by experts.

A23. The assurance practitioner may decide to discuss elements of planning with management or other appropriate party when determining the scope of the engagement or to facilitate the conduct and management of the engagement (for example, to co-ordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the assurance practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is required in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the entity may compromise the effectiveness of the engagement by making the procedures too predictable.

Materiality (Ref: Para. 31-33)

- A24. The assurance practitioner applies the same considerations in both limited ~~assurance~~ and reasonable assurance engagements regarding what represents a material compliance requirement~~??~~, since such judgements are not affected by the level of assurance being obtained.
- A25. The assurance practitioner considers ~~the~~ materiality of the ~~??~~compliance requirements at the planning stage, reassesses materiality during the engagement based on the findings, and considers the materiality of any identified deficiencies in the compliance framework and~~/or~~ non-compliance with compliance requirements.
- A26. The assurance practitioner considers materiality in the context of quantitative and qualitative factors, such as relative magnitude of instances of detected or suspected non-compliance, the nature and extent of the effect of these factors on the evaluation of compliance with the compliance requirements, and the interests of the intended users. The assessment of materiality and the relative importance of quantitative and qualitative factors in a particular engagement are matters for the assurance practitioner's professional judgement, taking into account specific regulatory reporting requirements.
- A27. Quantitative and qualitative factors which the assurance practitioner ~~may~~ considers when assessing materiality ~~may~~ includes:
 - The magnitude of the instances of detected or suspected non-compliance with the compliance requirements.
 - The financial impact of the non-compliance on the entity as a whole.
 - The nature of the non-compliance – one off or systemic.
 - Evidence of a robust compliance framework in place to detect, rectify and report non-compliance.
 - Commonly accepted practices within the relevant industry.
 - The nature of relevant transactions, whether they involve high volumes, large dollar values and complex transactions relative to the compliance activity as a whole.
 - The extent of interest shown in particular aspects of the compliance activity by, for example, governing body, regulatory authorities and agencies or the public.

Obtaining an Understanding of the Compliance Framework and Compliance Requirements
(Ref: Para. 34)

- A28. The assurance practitioner's understanding of the compliance framework and compliance requirements, ordinarily, has a lesser depth for a limited assurance engagement than for a reasonable assurance engagement. The assurance practitioner's procedures to obtain this understanding may include:
- Review and understand the relevant compliance requirements.
 - Enquiring of those within the entity who, in the assurance practitioner's judgement, may have relevant information.
 - Observing operations.
 - Inspecting documents, reports, printed and electronic records.
 - Re-performing compliance procedures.
- A29. The nature and extent of procedures to gain this understanding are a matter for the assurance practitioner's professional judgement and will depend on factors such as:
- (a) The entity's size and complexity;
 - (b) The nature of the [activitysystem](#) to be examined, including the compliance requirement(s) to which the compliance procedures are directed and the risk that those compliance requirements will not be met;
 - (c) The extent to which IT is used; and
 - (d) The documentation available.
- A30. The nature and extent of planning and subsequent evidence-gathering procedures will vary with the engagement circumstances, and the maturity of the entity's compliance framework.
- Elements of an entity's compliance framework ordinarily include the following:
- Procedures for identifying and updating compliance requirements.
 - Staff training and awareness programs.
 - Procedures for assessing the impact of compliance obligations on the entity's key business activities.
 - Controls embedded within key business processes designed to ensure compliance with obligations.
 - Processes to identify and monitor the implementation of further mitigating actions required to ensure that compliance obligations are met.
 - A monitoring plan to test key compliance controls on a periodic basis and report exceptions.
 - Procedures for identifying, assessing, rectifying and reporting non-compliance.
 - Periodic sign off by management and/or external third party outsourced service providers as to compliance with obligations.
 - A compliance governance structure that establishes responsibility for the oversight of compliance control activities with those charged with governance, typically a Board Audit, Risk Management or Compliance Committee.

Identifying Risks of Fraud (Ref: Para. 35, 42)

- A31. Management is in a unique position to perpetrate fraud because of [their management's](#) ability to manipulate the entity's records or prepare fraudulent reports by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk that compliance requirements will not be met due to fraud and thus is a significant risk.
- A32. The assurance practitioner may consider undertaking the following procedures to obtain sufficient appropriate evidence of the risk of fraud in relation to compliance requirements.
- (a) Make enquiries of management regarding:
 - (i) Management's assessment of the risk that controls may be circumvented due to fraud, including the nature, extent and frequency of such assessment;
 - (ii) Management's process for identifying and responding to the risks of fraud;
 - (iii) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud; and
 - (iv) Management's communication, if any, to employees regarding its views on corrupt or fraudulent business practices and unethical behaviour;
 - (b) Make enquiries of those charged with governance, management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity;
 - (c) Make enquiries of the internal audit function, where it exists, to determine whether it has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud;
 - (d) Obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks as far as they relate to the compliance requirements;
 - (e) Consider whether other information obtained by the assurance practitioner indicates risks of compliance requirements not being met due to fraud, for which mitigating controls are necessary;
 - (f) Evaluate whether the information obtained from the other risk assessment procedures and related activities performed indicates that one or more fraud risk factors are present; and
 - (g) Identify controls over matters for which decisions or actions are not routine, such as adjustments to records, development of estimates and activities outside the normal course of business.

Obtaining an Understanding of the Internal Audit Function (Ref: Para. 38-0)

- A33. In obtaining an understanding of the compliance framework, including controls, the assurance practitioner determines whether the entity has an internal audit function and its effect on the controls within the compliance framework. The internal audit function ordinarily forms part of the entity's internal control and governance structures. The responsibilities of the internal audit function may include, for example, monitoring of internal control, risk management, and review of compliance with laws and regulations, and is considered as part of the assurance practitioner's assessment of risk.

- A34. An effective internal audit function may enable the assurance practitioner to modify the nature and/or timing, and/or reduce the extent of assurance procedures performed, but cannot eliminate them entirely.

Obtaining Evidence

- A35. Compliance engagements require the application of assurance skills and techniques to gather sufficient appropriate evidence as part of an iterative, systematic assurance engagement process. As the assurance practitioner performs planned procedures, the evidence obtained may differ significantly from that on which the planned procedures were based and cause the assurance practitioner to perform additional procedures. In the case of an attestation engagement, such procedures may include asking the responsible party to examine the matter identified by the assurance practitioner, and to make amendments to the description or Statement, if appropriate.
- A36. The assurance practitioner may become aware of a matter(s) that causes the assurance practitioner to believe that there are deficiencies in the compliance framework or the compliance activity is not compliant with the compliance requirements. In such cases, the assurance practitioner may investigate such differences by, for example, inquiring of the appropriate party(ies) or performing other procedures as appropriate in the circumstances.

Limited and Reasonable Assurance Engagements (Ref: Para. 41)

- A37. The level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, therefore the procedures the assurance practitioner performs in a limited assurance engagement are different in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The primary differences between the assurance practitioner's overall responses to assessed risks and further procedures conducted in a reasonable assurance engagement and a limited assurance engagement on compliance include:
- (a) The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on indirect evaluation of compliance activities, such as enquiries of the entity's personnel, and relatively less emphasis, on evaluation of compliance activities, such as observation, re-performance or inspection, than may be the case for a reasonable assurance engagement.
 - (b) In a limited assurance engagement, the further procedures performed are less in extent than in a reasonable assurance engagement in that those procedures may involve:
 - (i) Selecting fewer items for examination;
 - (ii) Performing fewer types of procedures; or
 - (iii) Performing procedures at fewer locations.

Work Performed by an Assurance Practitioner's Expert (Ref: Para. 49)

- A38. ASAE 3000³⁵ provides application material for the circumstances where an assurance practitioner's expert is involved in the engagement. This material may also be used as [helpful](#) guidance when using the work of another assurance practitioner or a responsible party's or evaluator's expert.

³⁵ See ASAE 3000, paragraphs A120-A134.

Work Performed by Another Assurance Practitioner or a Responsible Party's or Evaluator's Expert, or an Internal Auditor (Ref: Para. 50)

A39. When information on compliance activities to be used as evidence has been prepared using the work of a responsible party's or evaluator's expert, the nature, timing and extent of procedures with respect to the work of the responsible party's or evaluator's expert may be affected by such matters as:

- (a) The nature and complexity of the compliance activity to which the expert's work relates;
- (b) The risks of a material deficiency in the compliance framework or non-compliance with the compliance requirements throughout the specified period or as at a specified date;
- (c) The availability of alternative sources of evidence or mitigating controls;
- (d) The nature, scope and objectives of the expert's work;
- (e) Whether the expert is employed by the entity, or is a party engaged by it to provide relevant services;
- (f) The extent to which [the](#) responsible party or evaluator can exercise control or influence over the work of the expert;
- (g) Whether the expert is subject to technical performance standards or other professional or industry requirements;
- (h) The nature and extent of any controls within the entity over the expert's work;
- (i) The assurance practitioner's knowledge and experience of the expert's field of expertise; and
- (j) The assurance practitioner's previous experience of the work of that expert.

Work Performed by the Internal Audit Function (Ref: Para. 38-0)

A40. The nature, timing and extent of the assurance practitioner's procedures on specific work of the internal auditors will depend on the assurance practitioner's assessment of the significance of that work to the assurance practitioner's conclusions, the evaluation of the internal audit function and the evaluation of the specific work of the internal auditors. Such procedures may include:

- (a) Examination of evidence of the operation of the compliance activity already examined by the internal auditors;
- (b) Examination of evidence of the operation of other instances of the same compliance activity;
- (c) Examination of the outcomes of monitoring of controls by internal auditors; and
- (d) Observation of procedures performed by the internal auditors.

A41. Irrespective of the degree of autonomy and objectivity of the internal audit function, such a function is not independent of the entity as is required of the assurance practitioner when performing the [compliance](#) engagement. The assurance practitioner has sole responsibility for the conclusion expressed in the assurance report, and that responsibility is not reduced by the assurance practitioner's use of the work of the internal auditors.

Evaluation and Communication of Non-Compliance

- A42. -In evaluating any non-compliance (corrected or un-corrected) with the compliance requirements the assurance practitioner ordinarily considers materiality as specified in the terms of the engagement, any relevant legislative, regulatory or other (e.g. contractual) requirements which may apply and the effect on the decisions of the intended users of the assurance report and the assurance practitioner's conclusion. (Ref: Para. 33, **Error! Reference source not found.**-**Error! Reference source not found.**)
- A43. For both reasonable and limited assurance engagements, if the assurance practitioner becomes aware of a matter that leads the assurance practitioner to question whether a material non-compliance exists, the assurance practitioner would ordinarily pursue the matter by performing other evidence gathering procedures sufficient to enable the assurance practitioner to form a conclusion. (Ref: Para. 45)

Written Representations (Ref: Para. 55)

- A44. For application material on using written representations refer to ASAE 3000.³⁶
- A45. The person(s) from whom the assurance practitioner requests written representations will ordinarily be a member of senior management or those charged with governance. However, because management and governance structures vary by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics, it is not possible for this ASAE to specify for all engagements the appropriate person(s) from whom to request written representations. The process to identify the appropriate person(s) from whom to request written representations requires the exercise of professional judgement.

Subsequent Events (Ref: Para 56)

- A46. Assurance procedures with respect to the identification of subsequent events after period end are limited to examination of relevant reports, for example reports on compliance procedures, minutes of relevant committees and enquiry of management or other personnel as to significant non-compliance with compliance requirements.
- A47. The assurance practitioner does not have any responsibility to perform procedures or make any enquiry after the date of the report. If however, after the date of the report, the assurance practitioner becomes aware of a matter identified, the assurance practitioner considers re-issuing the report. In an attestation engagement where the report has already been issued, the new report includes an Emphasis of Matter discussing the reason for the new report. In a direct engagement, the new report discusses the reason for the new report under a heading "Subsequent Events".

Preparing the Assurance Report (Ref: Para. 59-62)

Assurance Report Content

- A48. The assurance practitioner may expand the report to include other information not intended as a qualification of the assurance practitioner's conclusion. If the report includes other information it is a long-form report as the information is additional to the basic elements required in paragraph 60¹ for a short-form report. This additional information may be required by regulation or agreed in the terms of the engagement to meet the needs of users. When considering whether to include any such information the assurance practitioner assesses the materiality of that information in the context of the objectives of the engagement. Other information is not to be worded in such a manner that it may be regarded as a qualification of the assurance practitioner's conclusion and may include for example:
- Relevant background information and historical context.

³⁶ See ASAE 3000, paragraphs A136-A139.

- The assurance approach.
- Underlying facts and criteria applied.
- Disclosure of materiality levels.
- Findings relating to particular aspects of the compliance engagement.
- Analysis of the causes of non-compliance with the compliance requirements.
- Recommendations for improvements to address identified compliance framework deficiencies.

A49. In some circumstances, the form and/or content of the assurance report is prescribed by law or regulation. In such cases, the assurance practitioner compares the prescribed report with the reporting requirements under this ASAE to ensure the minimum basic elements have been met. (Ref: Para. 27)

Summary of the Work Performed (Ref: Para 61(j))

A50. The summary of the work performed helps the intended users understand the nature of the assurance conveyed by the assurance report. For many assurance engagements, infinite variations in procedures are possible in theory. It may be appropriate to include in the summary a statement that the work performed included evaluating the suitability of the criteria and the compliance requirements and the risks that threaten those compliance requirements not being met. ASAE 3000 provides application material on reporting on the applicable criteria.

A51. In a limited assurance engagement an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance conveyed by the conclusion, therefore the summary of the work performed is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of procedures. It also may be appropriate to indicate certain procedures that were not performed that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the assurance practitioner's required understanding and consideration of engagement risk is less than in a reasonable assurance engagement.

A52. Factors to consider in determining the level of detail to be provided in the summary of the work performed include:

- (a) Circumstances specific to the entity (e.g. -the maturity of the entity's compliance framework compared to those typical in the [industry](#) sector);
- (b) Specific engagement circumstances affecting the nature and extent of the procedures performed; and
- (c) The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation.

A53. It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the assurance practitioner's conclusion. In most cases this will not involve relating the entire work plan, but on the other hand it is important for it not to be so summarised as to be ambiguous, nor written in a way that is overstated or embellished.

A54. Illustrative examples of assurance practitioner's reports are contained in Appendix [65](#).

Intended Users and Specific Purpose of the Assurance Report (Ref: Para. 61(k))

- A55. If the assurance practitioner's report on compliance has been prepared for a specific purpose and is only relevant to the intended users, this is stated in the assurance practitioner's report. In addition, the assurance practitioner may consider it appropriate to include wording that specifically restricts distribution of the assurance report other than to intended users, its use by others, or its use for other purposes.

Modified Conclusions (Ref: Para. 64-65)

- A56. Modifications to the assurance report may be made in the following circumstances:
- (a) A qualified conclusion may be issued if the following matters are material but not pervasive:
 - (i) Unsuitable criteria mandated by legislation or regulation;
 - (ii) Scope limitation;
 - (iii) Non-compliance with the compliance requirements;
 - (iv) Misstatement in the Statement;
 - (b) An adverse conclusion may be issued if the following matters are both material and pervasive:
 - (i) Unsuitable criteria mandated by legislation or regulation;
 - (ii) Non-compliance with the compliance requirements;
 - (iii) Systemic deficiency in the compliance framework;
 - (iv) Misstatement in the Statement;
 - (c) A disclaimer may be issued if there is a limitation of scope which is both material and pervasive.
- A57. Illustrative examples of elements of modified assurance practitioner's reports are contained in Appendix [76](#).
- A58. Even if the assurance practitioner has expressed an adverse conclusion or a disclaimer of conclusion, it may be appropriate to describe in the basis for modification paragraph the reasons for any other matters of which the assurance practitioner is aware that would have required a modification to the conclusion, and the effects thereof.
- A59. When expressing a disclaimer of conclusion, because of a scope limitation, it is not ordinarily appropriate to identify the procedures that were performed nor include statements describing the characteristics of the assurance practitioner's engagement; to do so might overshadow the disclaimer of conclusion.

Other Communication Responsibilities (Ref: Para. 66-69)

- A60. Appropriate actions to respond to the circumstances identified in paragraph [689](#) may include:
- Obtaining legal advice about the consequences of different courses of action.
 - Communicating with those charged with governance of the entity.
 - Communicating with third parties (for example, a regulator) when required to do so.

- Modifying the assurance practitioner's conclusion, or adding an Other Matter paragraph.
- Withdrawing from the engagement.

A61. Certain matters identified during the course of the engagement may be of such importance that they would be communicated to those charged with governance. Unless stated otherwise in the terms of engagement, less important matters would be reported to a level of management that has the authority to take appropriate action.

Documentation (Ref: Para. 70-71)

A62. For application material on preparing and maintaining documentation refer ASAE 3000.³⁷

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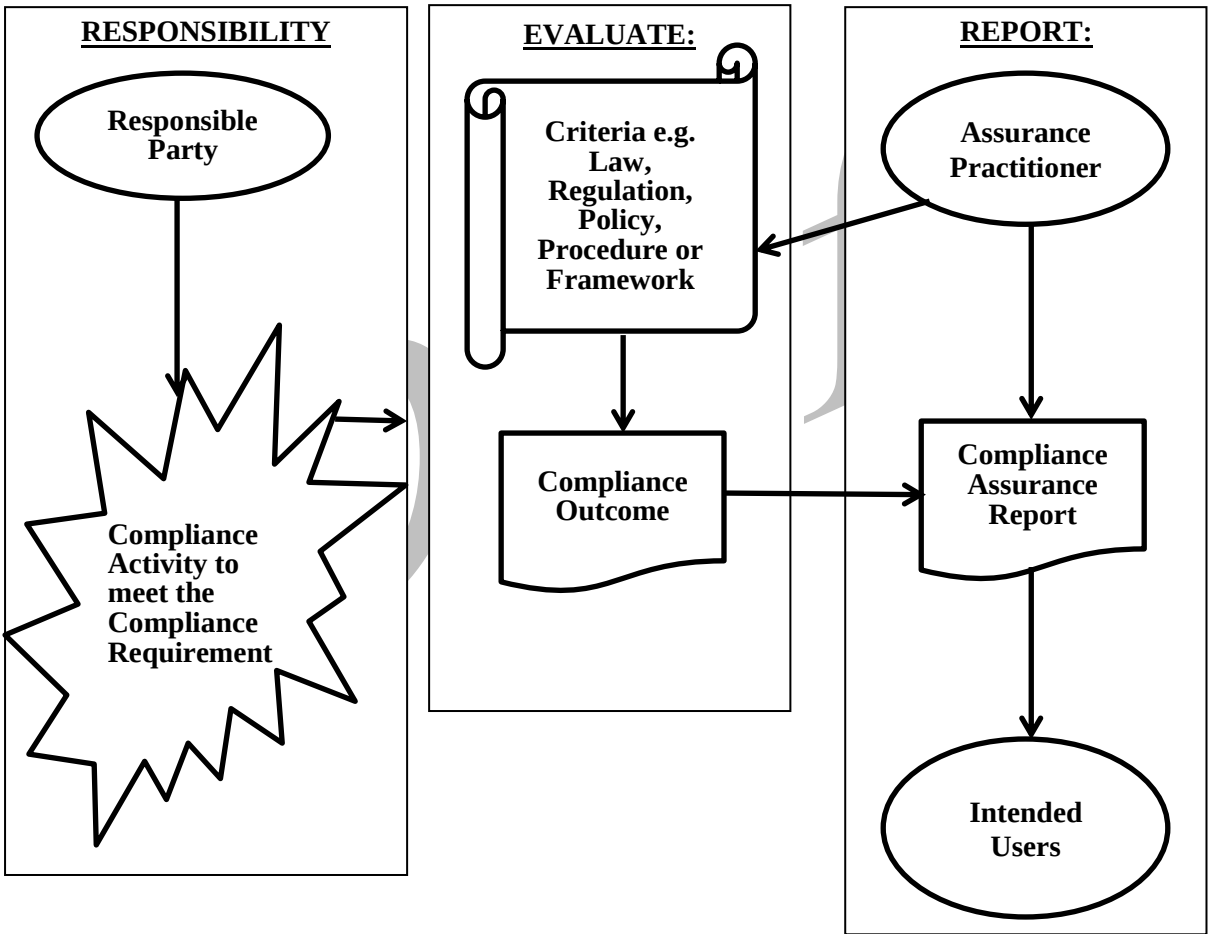
³⁷ See ASAE 3000, paragraphs A193-A200.

Appendix 1

(Ref: Para. A5)

ROLES AND RESPONSIBILITIES – DIRECT AND ATTESTATION
COMPLIANCE ENGAGEMENTS

The diagram below illustrates the relationships in a direct and attestation compliance engagement conducted by an Assurance Practitioner.



Under a direct engagement, the Assurance Practitioner evaluates the compliance activity conducted by the responsible party to meet the compliance requirement.

Under an attestation engagement, the Responsible Party evaluates the compliance activity against the compliance requirements and provides a statement on the compliance outcome.

In both attestation and direct engagements the Assurance Practitioner evaluates the compliance activity against the compliance requirement(s) using the criteria, and obtains assurance on which to base their assurance conclusion. The compliance assurance report is provided to the intended users.

TERMINOLOGY TABLE - ASAE 3000 AND ASAE 3100

Terminology as applied in ASAEs	ASAE 3000	ASAE 3100
Objective (a)	To obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement.....;	To obtain reasonable or limited assurance, about whether the entity has complied in all material respects, with compliance requirements as evaluated by the suitable criteria.
Criteria	The benchmarks used to measure or evaluate the underlying subject matter. The “applicable criteria” are the criteria used for the particular engagement.	The benchmark, framework or legislation used to evaluate whether the compliance requirements have been met. The “applicable criteria” are the criteria used for the particular engagement.
Compliance Requirement(s)	No equivalent term.	The specific requirements established in law, regulations, other statutory requirements (e.g. ASIC Class Orders and Regulatory Guides and APRA Prudential Standards), contractual arrangements, ministerial directives, industry or professional obligations or internally via company policies, procedures and frameworks.
Subject Matter Information vs Compliance Outcome	The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.	The outcome of the evaluation of the compliance activity (underlying subject matter) against the compliance requirements, <u>using the criteria</u> . The compliance outcome is the Statement of the responsible party or evaluator in an attestation compliance engagement, or the assurance practitioner’s conclusion in a direct compliance engagement, providing the outcome of their evaluation.
Underlying Subject Matter vs Compliance Activity	The phenomenon that is measured or evaluated by applying criteria.	The activity that is undertaken to meet the compliance requirement(s)

NATURE OF ASSURANCE ENGAGEMENTS ON COMPLIANCE

Scope of the Engagement

A summary of the scope of assurance engagements which may be conducted with respect to compliance is set out in the following table:

Scope of Engagement	Criteria for Evaluating Compliance Activity	Compliance Requirement	Subject Matter / Compliance Activity	Compliance Outcome of the Evaluation (Subject Matter Information)	Assurance Conclusion
Compliance of the Real Estate Trust with the requirements of s407 of the <i>Property Agents and Motor dealers Act 2000</i> (the “Act”)	<i>s407 of the Property Agents and Motor Dealers Act 2000</i>	Applicable compliance requirements as specified under s407 of the Act. As an example: maintenance and controls over the Trustee Bank Account.	Trustee Account procedures: Trustee Bank Account and cash book procedures.	Evaluator’s Statement or assurance practitioner’s conclusion whether the Trust has complied in all material respects with s407 of the Act.	Reasonable Assurance – complied in all material respects with s407 of the Act.
Compliance of the Registered Superannuation Entity (RSE) with the applicable provisions of the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), <i>Superannuation Industry (Supervision) Regulations</i> , FSCODA Reporting Standards, <i>Corporations Act 2001</i> (Corporations Act) and <i>Corporations Regulation 2001</i> (Corporation Regulations)	Applicable sections of: SIS Act; SIS Regulations; Corporations Act; Corporation Regulations; FSCODA Reporting Standards; and Conditions C1, C5 ³⁸ , E1, F1 and G1 imposed under s29EA of the SIS Act.	Example: Conditions imposed under C5 ³⁴ of SIS Act: all assets of RSE, including all bank accounts are ‘custodially held’ as defined in trustee’s RSE licence	As an example: RSE procedures and controls covering: - bank accounts - other assets	Evaluator’s Statement or assurance practitioner’s conclusion whether the RSE has complied in all material respects with the requirements of the applicable SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations, conditions imposed under s29EA of the SIS Act.	Reasonable Assurance – complied in all material respects with Condition C5 imposed under s 29EA of the SIS Act.....and the applicable provisions of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations, other conditions imposed under s29EA of the SIS Act.

³⁸ Condition C5 under s29EA of the SIS Act has been selected as one example of a compliance requirement.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Scope of Engagement	Criteria for Evaluating Compliance Activity	Compliance Requirement	Subject Matter / Compliance Activity	Compliance Outcome of the Evaluation (Subject Matter Information)	Assurance Conclusion
Compliance of a General Insurer or Insurance Group with the requirements of Prudential Standard GPS 220 <i>Risk Management</i> to maintain a Risk Management Strategy (RMS) and Prudential Standard GPS 230 <i>Reinsurance Management</i> to maintain a Reinsurance Management Strategy (REMS)	GPS 220 <i>Risk Management</i> (RMS) and GPS 230 <i>Reinsurance Management</i> (REMS)	Applicable compliance requirements as specified in GPS 220 and GPS 230.	General Insurers or Insurance Groups maintenance of an RMS and a REMS.	Evaluator's Statement or assurance practitioner's conclusion whether the General Insurer or Insurance Group has complied in all material respects with its RMS and REMS.	Limited Assurance – nothing has come to our attention that causes us to believe that [throughout the specified period] the General Insurer or Insurance Group did not comply in all material respects with its RMS and REMS.

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STANDARDS APPLICABLE TO ENGAGEMENTS ON COMPLIANCE

		APPLICABLE AUASB STANDARDS				
		ASAE 3000 Assurance Engagements (not Historical Financial Info)	ASAE 3100 Assurance Engagements on Compliance (This ASAE)	ASAE 3402 Controls at a Service Organisation	ASAE 3150 Controls Engagements	ASRS 4400 Agreed-upon Procedures
Subject Matter of Compliance Assurance Engagement	1. Entity's compliance with:					
	- Laws and regulation	✓	✓			
	- Contractual obligations	✓	✓			
	- Policies and procedures	✓	✓			
	2. Entity's controls over compliance with requirements ³⁹	✓			✓	
	3. Entity's compliance with requirements specifying controls	✓	✓			
	4. Service Organisation's controls:					
	- Relevant to user entities' non-financial reporting, services or functions	✓			✓	
	- Relevant to user entities' financial reporting	✓		✓		
	5. Controls over economy, efficiency or effectiveness	✓			✓	
	6. Procedures restricted to those specified by engaging party					✓

³⁹ Where controls not specified in law, regulation or quasi-regulation.

EXAMPLE ENGAGEMENT LETTERS

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on compliance with the [compliance requirements] as evaluated by the suitable criteria

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on compliance with the [compliance requirements] as evaluated by the suitable criteria

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on compliance with the [compliance requirements] as evaluated by the suitable criteria

The following examples of assurance practitioner's engagement letters are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on compliance with the [compliance requirements] as evaluated by the suitable criteria

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a limited assurance engagement on ABC's Statement [which will accompany our report] regarding ~~the~~ compliance with the [compliance requirements] as evaluated by the suitable criteria, which you will provide and which will accompany our report, as at [date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this limited assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of reaching a conclusion on [ABC's Statement regarding]⁴⁰ compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date].

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that [ABC's Statement is not fairly presented] in that the compliance with the [compliance requirements] as evaluated by the suitable criteria have not been fairly stated, in all material respects.

An assurance engagement involves performing procedures to obtain evidence about the compliance with the [compliance requirements] as measured by the suitable criteria. The procedures selected depend on the assurance practitioner's professional judgement, including identifying areas where the risk of material deficiencies in the compliance framework or misstatements in ABC's Statement are likely to arise. We will perform procedures primarily consisting of making enquiries of management and others within the entity, as appropriate, examination of documentation and evaluation of the evidence obtained about compliance with the [compliance requirements] as evaluated by the suitable criteria as provided in ABC's Statement. We will also perform additional procedures if we become aware of matters that cause us to believe there are deficiencies in the compliance framework or misstatements in ABC's Statement. The procedures selected depend on what we consider necessary

⁴⁰ Insert if the assurance report is expressed in terms of the responsible party's or evaluator's Statement rather than the underlying subject matter.

applying our professional judgement, including the assessment of risks of material deficiencies in the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or misstatements in ABC's Statement may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Therefore no opinion will be expressed as to the effectiveness of the system of internal control as a whole.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Therefore there is a higher risk than there would be in a reasonable assurance engagement, that any material deficiencies in the compliance framework and relevant controls that exist may not be revealed by the engagement, even though the engagement is properly performed in accordance with ASAE 3100. In expressing our conclusion, our report on ABC's compliance with the [compliance requirements] as evaluated by the suitable criteria will expressly disclaim any reasonable assurance conclusion on the compliance framework and relevant controls.

[Responsibilities of management]

Our assurance engagement will be conducted on the basis that [the responsible party/ management/ those charged with governance] acknowledge and understand that they have responsibility:

- (a) For the preparation of a written Statement [which will be attached to our report] that ABC has complied [throughout the specified period or at a specified date], in all material respects, with the [compliance requirements] as evaluated by the suitable criteria;
- (b) For the identification of risks that threaten the [compliance requirements] identified above not being met;
- (c) For the identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent achievement of the compliance requirements; and
- (d) To provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to ABC's compliance with the [compliance requirements] as evaluated by the suitable criteria;
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with ASAE 3100 with respect to limited assurance engagements [and will be in long-form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

[Our report will be issued [frequency] and will cover [throughout the specified period or as at a specified date reported on].]⁴¹

The limited assurance report will be attached to [ABC's Statement] and our conclusion will be phrased in terms of whether anything has come to our attention that causes us to believe that [ABC's Statement is not fairly presented] and compliance with the [compliance requirements] as evaluated by the suitable criteria have not been fairly stated, in all material respects [throughout the specified period or as at specified date].

[Use of the Assurance Report]⁴²

[Our report is prepared for the use of ABC and [intended users] for [purpose] and may not be suitable for any other purpose].

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

We look forward to full cooperation from your staff during our assurance engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on compliance with the [compliance requirements] as evaluated by the suitable criteria, including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [engaging party]

(signed)

.....

Name and Title

Date

⁴¹ Insert this sentence for recurring engagements.

⁴² Insert this section if the report is to be for restricted use only.

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on compliance with the [compliance requirements] as evaluated by the suitable criteria

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a reasonable assurance engagement on ABC's Statement [which will accompany our report] regarding the compliance with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, which you will provide and which will accompany our report, as at [date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on [ABC's Statement regarding]⁴³ compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date], in all material respects.

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, [ABC's Statement is fairly presented] in that the compliance with the [compliance requirements] as evaluated by the suitable criteria have been fairly stated, in all material respects.

An assurance engagement involves performing procedures to obtain evidence about ABC's compliance with the [compliance requirements] as measured by the suitable criteria. We will perform procedures to obtain evidence about compliance activities and controls implemented to meet the [compliance requirements]. The procedures selected depend on the assurance practitioner's professional judgement, including the identification and assessment of risks of material deficiencies in the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or misstatements in ABC's Statement may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Therefore no opinion will be expressed as to the effectiveness of the system of internal control as a whole.

[Responsibilities of management]

Our assurance engagement will be conducted on the basis that [the responsible party/management/those charged with governance] acknowledge and understand that they have responsibility:

- (a) For the preparation of a written Statement [which will be attached to our report] that ABC has complied [throughout the specified period or as at a specified date], in all material respects, with the [compliance requirements] as evaluated by the suitable criteria.
- (b) For the identification of risks that threaten the [compliance requirements] identified above being met;

⁴³ Insert if the assurance report is expressed in terms of the responsible party's or evaluator's Statement rather than the underlying subject matter.

- (c) For the identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent achievement of the compliance requirements; and
- (d) To provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to ABC's compliance with the [compliance requirements] as measured by the suitable criteria;
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with ASAE 3100 with respect to reasonable assurance engagements [and will be in long-form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Our report will be issued [frequency] and will cover [throughout the specified period or as at a specified date].]⁴⁴

The reasonable assurance report will be attached to [ABC's Statement] and our opinion will be phrased in terms of [ABC's Statement regarding] compliance with the [compliance requirements] as evaluated by the suitable criteria, in all material respects [throughout the specified period or as at a specified date].

[Use of the Assurance Report]⁴⁵

[Our report is prepared for the use of ABC and [intended users] for [purpose] and may not be suitable for any other purpose].

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

We look forward to full cooperation from your staff during our assurance engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on compliance with the [compliance requirements] as evaluated by the suitable criteria, including our respective responsibilities.

⁴⁴ Insert this sentence for recurring engagements.

⁴⁵ Insert this section if the report is to be for restricted use only.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [ABC/engaging party]

(signed)

.....

Name and Title

Date

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on compliance with the [compliance requirements] as evaluated by the suitable criteria

To [the appropriate addressee]:

[Objective and scope of the engagement]

You have requested that we undertake a reasonable assurance engagement to report on ABC's compliance with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, [throughout the specified period or as at a specified date] for the purpose of reporting to *[identify intended users: the Board of Directors/Regulator/Customers of ABC]*.

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on ABC's compliance with the [compliance requirements] as evaluated by the suitable criteria as at [throughout the specified period or as at a specified date], in all material respects.

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, in all material respects, ABC has complied with the [compliance requirements] as evaluated by the suitable criteria.

An assurance engagement involves performing procedures to obtain evidence about ABC's compliance with the [compliance requirements] as measured by the suitable criteria. We will perform procedures to obtain evidence about compliance activities and controls implemented to meet the [compliance requirements]. The procedures selected depend on the assurance practitioner's professional judgement, including the identification and assessment of risks of material deficiencies in the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or non-compliance by ABC with the [compliance requirements] may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Therefore no opinion will be expressed as to the effectiveness of the system of internal control as a whole.

[Responsibilities of management]

Our assurance engagement will be conducted on the basis that [the responsible party/management/those charged with governance] acknowledge and understand that they have responsibility:

- (a) For the identification of risks that threaten the [compliance requirements] identified above being met;
- (b) For the identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent achievement of the compliance requirements; and
- (c) To provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to ABC's compliance with the [compliance requirements] as measured by the suitable criteria;
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with ASAE 3100 with respect to reasonable assurance engagements [and will be in long-form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Use of the Assurance Report]⁴⁶

[Our report is prepared for the use of ABC and [intended users] for [purpose], and may not be suitable for any other purpose].

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

We look forward to full cooperation from your staff during our assurance engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on compliance with the [the type or name of] compliance requirements as evaluated by the suitable criteria, including our respective responsibilities.

⁴⁶ Insert this section if the report is to be for restricted use only.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [engaging party]

(signed).....

Name and Title

Date

Draft

EXAMPLE ASSURANCE REPORTS ON COMPLIANCE

Example 1: Limited Assurance Report on compliance with the [compliance requirements] as evaluated by the suitable criteria

Example 2: Reasonable Assurance Report on compliance with the [compliance requirements] as evaluated by the suitable criteria

The following examples of reports are for guidance only and are not intended to be exhaustive or applicable to all situations. They can be applied to both attestation and direct engagements. These examples are short-form reports but may be converted to long-form reports by inclusion of additional information as indicated.

Example 1: Limited Assurance Report on compliance with the [compliance requirements] as evaluated by the suitable criteria

Independent Assurance Practitioner's Report

[Appropriate Addressee]

Conclusion

Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that, in all material respects [ABC's Statement is not fairly stated regarding]⁴⁷ compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date-in time].

[For a long-form report include a separate section, under an appropriate heading, or reference to an attachment for any additional information agreed in the terms of engagement to be provided to users, for example:

- Terms of the engagement.
- Criteria [and compliance requirements](#) being used.
- Descriptions of the tests of compliance that were performed.
- Findings relating to the tests of compliance that were performed or particular aspects of the engagement.
- Details of the qualifications and experience of the assurance practitioner and others involved with the engagement.
- Disclosure of materiality levels.
- Recommendations for improvements to the compliance framework or processes around particular compliance activities.

⁴⁷ Insert for attestation engagements if the conclusion is phrased in terms of ABC's Statement.

Scope

We have undertaken a limited assurance engagement on ABC's compliance, in all material respects, with the [compliance requirements] as evaluated by the suitable criteria, ~~for the [period]~~throughout the specified period or ~~as at a date~~as at a specified date].

ABC's Responsibilities

ABC is responsible for:

- (a) Compliance with the [compliance requirements] as evaluated by the suitable criteria throughout the specified period or as at a specified date].
- (b) Identification of risks that threaten the [compliance requirements] identified above being met; and
- (c) Identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent ~~achievement of~~ the compliance requirements being met~~objectives~~.

Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on [ABC's Statement regarding]⁴⁸ compliance with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, ~~for the [period]~~throughout the specified period or ~~as at a date~~as at a specified date]. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that, in all material respects, ABC has not complied with the [compliance requirements] as evaluated by the suitable criteria, ~~for the [period]~~throughout the specified period or ~~as at a date~~as at a specified date].

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and examination of documentation, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of material deficiencies in the compliance framework or misstatements in [ABC's Statement]⁴⁹ or non-compliance with the [compliance requirements] are likely to arise.

[Insert an informative summary of the nature, timing and extent of procedures performed that, in the assurance practitioner's judgement, provides additional information that may be relevant to the users' understanding of the basis for the assurance practitioner's conclusion. The following section has been provided as guidance, and the example procedures are not an

⁴⁸ Insert for attestation engagements if the conclusion is phrased in terms of the Statement.

⁴⁹ Insert for attestation engagements if the conclusion is phrased in terms of the Statement.

*exhaustive list of either the type, or extent, of the procedures which may be important for the users' understanding of the work performed.*⁵⁰

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries, obtained an understanding of ABC's compliance framework and internal control environment to ~~achieve the compliance objectives and~~ meet the compliance requirements, as evaluated by the suitable criteria.
- Through enquiries and inspection, obtained an understanding of relevant [compliance activities] that are undertaken to ~~achieve the [compliance objectives] and~~ meet the [compliance requirements], as evaluated by the suitable criteria.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on the compliance framework and relevant controls.

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

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the ~~any~~ internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

A limited assurance engagement on the compliance with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, at a specified date⁵¹ does not provide assurance on whether compliance with the [compliance requirements] will continue in the future.

*[Restricted Use]*⁵²

[This report has been prepared for use by [intended users] for the purpose of [explain purpose]. We disclaim any assumption of responsibility for any reliance on this report to any person other than [intended users], or for any other purpose other than that for which it was prepared.]

*[Assurance practitioner's signature]*⁵³

[Date of the assurance practitioner's assurance report]

*[Assurance practitioner's address]*⁵⁴

⁵⁰ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan.

⁵¹ Insert only for compliance engagements performed at a date in time.

⁵² Insert section if the report is restricted use.

⁵³ The assurance practitioner's report needs to be signed in one or more of the following ways: name of the assurance practitioner's firm, name of the assurance practitioner's company or the personal name of the assurance practitioner as appropriate.

⁵⁴ The assurance practitioner's address includes the location in the jurisdiction where the assurance practitioner practices.

Example 2: Reasonable Assurance Report on compliance with the [compliance requirements] as evaluated by the suitable criteria

Independent Assurance Practitioner's Report

[Appropriate Addressee]

Opinion

Our opinion has been formed on the basis of the matters outlined in this report.

In our opinion, in all material respects [ABC's Statement is fairly stated regarding]⁵⁵ compliance with the [compliance requirements] as evaluated by the suitable criteria [~~period~~throughout the specified period or as at a specified date ~~in time~~].

[For a long-form report, include a separate section, under an appropriate heading, or reference to an attachment for any additional information agreed in the terms of engagement to be provided to users, for example:

- Terms of the engagement.
- Criteria and compliance requirements being used.
- Descriptions of the tests of compliance that were performed.
- Findings relating to the tests of compliance that were performed or particular aspects of the engagement.
- Details of the qualifications and experience of the assurance practitioner and others involved with the engagement.
- Disclosure of materiality levels.
- Recommendations for improvements to the compliance framework or processes around particular compliance activities.

Scope

We have undertaken a reasonable assurance engagement on ABC's compliance, in all material respects, with the [compliance requirements] as evaluated by the suitable criteria, [~~period~~throughout the specified period or as at a date ~~as at a specified date~~].

ABC's Responsibilities

ABC is responsible for:

- (a) Compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date].
- (b) Identification of risks that threaten the [compliance requirements] identified above not being met; and
- (c) Identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent ~~achievement of~~ the compliance requirements being met ~~objectives~~.

⁵⁵ Insert for attestation engagements if the opinion is phrased in terms of ABC's Statement.

Our Independence and Quality Control

We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion, in all material respects on [ABC's Statement regarding]⁵⁶ compliance with the [compliance requirements] as evaluated by the suitable criteria ~~for the~~ [period throughout the specified period or as at a date as at a specified date]. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, ABC has complied with the [compliance requirements] as evaluated by the suitable criteria, ~~for the~~ [period throughout the specified period or as at a date as at a specified date].

An assurance engagement to report on the compliance with the [compliance requirements] involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the [compliance requirements]. The procedures selected depend on our judgement, including the identification and assessment of risks of material deficiencies in the compliance framework, misstatements in ABC's Statement⁵⁷ or material non-compliance with the [compliance requirements], as evaluated by the suitable criteria.

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

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

A reasonable assurance engagement on the compliance with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, at a specified date⁵⁷ does not provide assurance on whether compliance with the [compliance requirements] will continue in the future.

[Restricted Use]⁵⁸

[This report has been prepared for use by [intended users] for the purpose of [explain purpose]. We disclaim any assumption of responsibility for any reliance on this report to any person other than [intended users], or for any other purpose other than that for which it was prepared.]

[Assurance practitioner's signature]

[Date of the assurance practitioner's assurance report]

[Assurance practitioner's address]

⁵⁶ Insert for attestation engagements if the opinion is phrased in terms of the Statement.

⁵⁷ Insert only for compliance engagements performed at a date in time.

⁵⁸ Insert section if the report is restricted use.

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(Ref: Para. A57)

EXAMPLE MODIFIED ASSURANCE REPORTS ON COMPLIANCE

- Example 1: Qualified reasonable assurance opinion – ABC’s Statement on the compliance with the [compliance requirements] is not fairly stated in all material respects
- Example 2: Adverse reasonable assurance opinion – the [compliance requirements] were non-compliant ~~throughout the period~~ throughout the specified period
- Example 3: Disclaimer of reasonable assurance opinion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements]
- Example 4: Qualified limited assurance conclusion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements]

The following examples of modified reasonable and limited assurance reports are for guidance only and are not intended to be exhaustive or applicable to all situations. They are based on the example reports in Appendix 5 and may be adapted as appropriate to the engagement circumstances.

Example 1: Qualified reasonable assurance opinion – ABC’s Statement on the compliance with the [compliance requirements] is not fairly stated in all material respects

...

Qualified Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were the compliance ~~objectives and~~ requirements identified in ABC’s Statement.

In our opinion, in all material respects, except for the matter(s) described in the Basis for Qualified Opinion paragraph, the Statement by ABC is fairly stated [as at [date]/ ~~throughout the period~~ throughout the specified period from [date] to [date]].

...

Basis for Qualified Opinion

The accompanying Statement⁵⁹ that ABC is compliant, in all material respects with the [list specific compliance requirements], as evaluated by the suitable criteria. Based on our procedures, which included enquiries of staff personnel and observation of compliance activities, we have determined that compliance with the [list specific compliance requirements], in all material respects, was not fairly stated in ABC’s Statement due to [reason].

...

Assurance Practitioner’s Responsibilities

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

⁵⁹ Insert for attestation engagements if the opinion is phrased in terms of the Statement.

Example 2: Adverse reasonable assurance opinion – the compliance requirements were non-compliant throughout the specified period

...

Adverse Opinion

Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were the compliance ~~objectives and~~ requirements as described above in this report. In our opinion, ABC has not complied with the [compliance requirements], as evaluated by the suitable criteria, in all material respects, ~~during the period~~throughout the specified period from [date] to [date].

...

Basis for Adverse Opinion

The compliance activity undertaken by ABC has not complied with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, ~~during the period~~throughout the specified period from [date] to [date] due to [reason]. This resulted in insufficient assurance that ABC had complied with the [compliance requirements], in all material respects, ~~during the period~~throughout the specified period from [date] to [date].

...

Assurance Practitioner's Responsibilities

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

...

Example 3: Disclaimer of reasonable assurance opinion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements]

...

Disclaimer of Opinion on Compliance with the Compliance Requirements

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide the basis for an opinion on the compliance with [list specific compliance requirements] ~~during the period~~throughout the specified period.

...

Basis for Disclaimer of Opinion

ABC's computer systems were subject to a cyber-attack on [date] in which a substantial amount of ABC's data was destroyed and no back up data retrievable, ~~during the period~~throughout the specified period from [date] to [date]. Due to this event we were unable to conduct testing of compliance activities or walk-throughs relevant to [list specific compliance requirements] ~~during that period~~throughout the specified period, which would be necessary to form an opinion on whether ABC was complaint with [list specific compliance requirements] ~~during the period~~throughout the specified period.

...

Assurance Practitioner's Responsibilities

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we are not able to obtain sufficient appropriate evidence to provide a basis for a reasonable assurance opinion on ABC's compliance with the [list specific compliance requirements].

...

Example 4: Qualified limited assurance conclusion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements]

...

Qualified Conclusion

Our conclusion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our conclusion were the compliance ~~objectives and~~ requirements as described above in this report. Based on the procedures we have performed and the evidence we have obtained, except for the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that, ABC has not complied with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, ~~during the period~~throughout the specified period from [date] to [date].

...

Basis for Qualified Conclusion

Insufficient records were available from [date] to [date] due to [reason], and we were therefore unable to evaluate ABC's compliance, in all material respects with [list specific compliance requirements] as evaluated by the suitable criteria, ~~in all material respects, during the period~~throughout the specified period from [date] to [date].

...

Assurance Practitioner's Responsibilities

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