



Subject: Agenda for the 108th meeting of the AUASB
Venue: TEQSA Executive Board Room, Tower Level 14, 530 Collins Street, Melbourne
Time: Tuesday 16 April 2019 9:00am – 5:00pm

* NB: Agenda items 1, 12, 13 & 14 are closed sessions

Time	Agenda Item No.	Resp.
9.00am	1. Preliminary Session*	
	1.1 Welcome (verbal update)	Roger
	1.2 AUASB Declarations of Interest	Roger
	1.3 Approval of Minutes of Previous AUASB Meetings	Roger
	1.4 Matters Arising from Previous Meetings	Matthew
	1.5 AUASB Speaking Register	Roger
	1.6 Update from the AUASB Chair (verbal update)	Roger
	1.7 AUASB Meeting Register	Matthew
	1.8 NZAuASB Update (verbal update)	Robert
	1.9 FRC Update	Roger
10:15am	2. Report on IAASB March 2019 Meeting	Roger
10:30am	<i>Morning Tea</i>	
10:45am	3. Update of International Influence Strategy	Matthew
11:00am	4. Response to 2020-23 IAASB Strategy	Matthew
11:30am	5. Final Outreach Plan for QM Standards, Less Complex Entities DP and IAASB Strategy	Tim
12:00pm	6. EER Phase 1 Feedback	Marina
12:30pm	<i>Lunch (incl. AUASB Board member and Staff Photos)</i>	
1:30pm	7. ASRE 2410 – Approval of ED 05/19	Anne
2:15pm	8. Update on AUASB Guidance Statements	
	8.1 AUASB Guidance Statement Update Plan	Tim
	8.2 GS 005 - Using the Work of a Management's Expert (verbal update)	Rene
	8.3 GS 012 - Prudential Reporting Requirements for Auditors of ADIs (verbal update)	Matthew
	8.4 GS 009 - Auditing Self-Managed Superannuation Funds	Matthew
2:50pm	9. Public Sector PAG Update	Matthew
3:00pm	10. AUASB Forward Agenda	Tim



Time	Agenda Item No.	Resp.
3:10pm	11. Other Business	
	11.1 Investor Survey (verbal update)	Anne
	11.2 2020 AUASB Board Meeting Dates (verbal update)	Rene
3:15pm	<i>Afternoon Tea</i>	
3:30pm	12. ASIC Update*	John Price, ASIC
4:15pm	13. AASB Update*	Kris Peach, AASB
4:45pm	14. Review*	Roger
5:00pm	<i>Close</i>	



AGENDA PAPERS

Auditing and Assurance Standards Board – Meeting 108, 16 April 2019

Agenda Number	Document Title	Page # in combined
	AUASB Meeting Agenda	1
1.2.1	Declaration of interest (Board Only)	5
1.3.1	Minutes of Previous AUASB Meetings – 6 March 2019 (Board Only)	8
1.3.2	Minutes of Previous AUASB Meetings – 20 March 2019 (Board Only)	11
1.4.1	Matters arising from Previous Meeting (Board Only)	13
1.5.1	AUASB Speaking Register (Board Only)	14
1.7.1	AUASB Meeting Register (Board Only)	15
1.9.0	BMSP FRC Matters (Board Only)	18
1.9.1	FRC Statement on Audit Quality (Board Only)	20
1.9.2	Government response to the <i>Auditor Disciplinary Process: Review</i> (Board Only)	2
2.	Report on IAASB March 2019 Meeting	
2.0	BMSP Report in IAASB March 2019 Meeting	28
2.1	Report on IAASB March 2019 Meeting	29
3.	Update of International Influence Strategy	
3.0	BMSP Updated AUASB International Strategy	34
4.	Response to 2020-23 IAASB Strategy	
4.0	BMSP IAASB Strategy and Work Plan	39
4.1	IAASB Proposed Strategy 2020-2023	41
5.	Final Outreach Plan	
5.1.0	Detailed Outreach Plan	67
6.	EER Phase 1 Feedback	
6.0	BMSP EER	74
6.1	EER Consultation Paper	82
6.2	Attachment to BMSP	167



Agenda Number	Document Title	Page # in combined
7.	ASRE 2410 – Approval of ED 05/19	
7.0	BMSP ED 05/19 ASRE 2410	172
7.1	ED 05/19 Explanatory Memorandum	178
7.2	ED 05/19 ASRE 2410 – Track Changes	187
7.3	ED 05/19 ASRE 2410 – Clean	284
8.	Update on Guidance Statements	
8.1.0	BMSP Guidance Statement Revision	353
8.4.0	BMSP GS 009	357
8.4.1	GS 009 ATO Submission	359
8.4.2	GS 009 CPA Australia Submission	364
9.	Public Sector PAG Update	
9.0	BMSP Public Sector PAG Update	366
10.	AUASB Forward Agenda	
10.1.0	AUASB Forward Agenda	368
11.	Other Business	
12.	ASIC Update*	
13.	AASB Update*	
14.	Review*	



AUASB DECLARATION OF INTERESTS

As at 02 April 2019

AUASB Member	Professional Affiliations	Listed Entity Affiliations	Other Relevant Matters
Dr Roger Simnett (Chair)	Fellow, CPA	Nil	Scientia Professor, UNSW Sydney Member, International Auditing and Assurance Standards Board Member, New Zealand Auditing Standards Board Member, International Integrated Reporting Council Working Panel Member, Financial Reporting Council (FRC) Australia Member, World Business Council for Sustainable Development Assurance Working Group
Ms Robin Low (Deputy Chair)	FCA GAICD	Director, AUB Group Limited Director, CSG Limited (CSV) Director, IPH Limited (IPH) Director, Appen Limited (APX)	Director, Public Education Foundation Ltd Director, Primary Ethics Ltd President, Sydney Medical School Foundation Member, CA ANZ Professional Conduct Committee Director, Australian Reinsurance Pool Corporation Director, Gordian Runoff Limited Director, Enstar Australia Holdings Pty Ltd Member, AICD Reporting Committee Receives PwC retired partner pension
Mr Gareth Bird	Member, CA ANZ Member, SAICA (South African Institute of Chartered Accountants)	Nil	Partner, Deloitte

Mr Robert Buchanan	Barrister and Solicitor of the High Court of New Zealand Member of the Institute of Directors in New Zealand	Nil	Chairman, NZAuASB Principal, Robert Buchanan Public Law and Governance (Wellington, New Zealand) Member, Risk and Assurance Committee of the Parliamentary Service (New Zealand) Board member, Low Volume Vehicle Technical Association Inc (a New Zealand not-for-profit entity) Trustee of a family trust Director, ProbitManager Limited (NZ-registered company)
Ms Jo Cain	GAICD	Nil	Banksia Foundation: Chair Audit and Risk Committee Workways Australia: Member Audit and Risk Committee IAASB Emerging Forms of External Reporting (EER) Project Advisory Panel (PAP): Member International Integrated Reporting Council (IIRC) Technical Review Panel: Member Materiality Counts: Executive Director
Ms Julie Crisp	RCA, ASIC FCA FCPA FGIA GAICD CIA, IIA CGAP, IIA CRMA, IIA Member, ACFE	Nil	Member, Australasian Council of Auditors-General (ACAG)
Dr Noel Harding	CPA	Nil	Associate Professor, UNSW Sydney Member, Editorial Board of International Journal of Auditing Member, Editorial Board of Behavioral Research in Accounting Chair, Communications Committee of American Accounting Association Auditing Section
Ms Carolyn Ralph	Fellow, CA ANZ		Partner, KPMG
Mr Justin Reid	Member, CA ANZ	Nil	Owner at Justin Reid Consulting Director of Technical Audit Solutions Pty Ltd Presenter/Facilitator of Auditing Internal Controls course for ASIC Financial Reporting and Assurance Team

Mr Rodney Piltz	Member, CA ANZ	Nil	Partner, Ernst & Young
Mr Klynton Hankin	Member, CA ANZ	Nil	Partner, PWC



Subject: Minutes of the 106th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: ASIC Office, Level 5, 100 Market Street, Sydney
Date: Wednesday 6 March 2019 9:00am – 5:00pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan
Ms Julie Crisp
Mr Klynton Hankin
Dr Noel Harding
Mr Rodney Piltz
Ms Carolyn Ralph
Mr Justin Reid

AUASB Technical Group: Mr Matthew Zappulla
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Mr Tim Austin

Apologies: Ms Jo Cain

Observers: None

Minutes

(Agenda Item 1 – Minute 1248) Agenda and introduction

The Chair welcomed members to the 106th AUASB meeting, including new members Klynton Hankin and Rodney Piltz to their first meeting.

(Agenda Items 1.3 – Minute 1249) Minutes of Previous AUASB Meetings on 4-5 December 2018.

Draft minutes were discussed and, subject to one amendment, approved by the AUASB Chair.

(Agenda Item 2 – Minute 1250) Audit Quality Plan Update (in-camera session)

The AUASB discussed Audit Quality considerations arising from:

- (a) The latest ASIC Audit Inspection Report which was released in January 2019;
- (b) A report recently issued by the Parliamentary Joint Committee on Corporations and Financial Services which includes an analysis of the committee's ongoing concerns on audit quality matters overseen by ASIC and the Financial Reporting Council (FRC); and
- (c) Recent public inquiries about the audit market and implications for audit quality that have recently been completed or are in progress in the United Kingdom.

The AUASB also received an update on the joint publication currently nearing completion by the FRC and AUASB about Investors' perceptions on audit quality in Australia.



(Agenda Item 3 – Minute 1251) Discussion on AUASB ED Process

The AUASB discussed the results of the exposure process trialled in 2018 for ED 01/18 Proposed Auditing Standard *ASA 315 Identifying and Assessing the Risks of Material Misstatement*. The exposure process was assessed against a set of principles determined by the AUASB Technical Group (ATG) in consultation with the AUASB Chair.

Based on the discussions, AUASB Members requested further changes to the exposure process and agreed that an approach of ‘wrapping-around’ an IAASB ED with an Australian Explanatory Memorandum best balanced each of these exposure process principles.

The Australian Explanatory Memorandum would draw Australian stakeholders’ attention to areas of the proposed standard which the AUASB have been tracking during its development by the IAASB. Australian specific questions will be asked in relation to “significant matters” in the proposed standard on which the AUASB would like more feedback.

The AUASB agreed to trial this process for the exposure of the Quality Management Standards in Australia. Subject to the success of this process for the Quality Management Standards and agreement of the AUASB at a future Board meeting, the AUASB Functions and Processes document will be updated to reflect this revised process in the second half of 2019.

(Agenda Item 4 – Minute 1252) Quality Management Standards

The AUASB was presented with Exposure Drafts for ISQM 1 *Quality Management at the Firm Level*, ISQM 2 *Engagement Quality Reviews* and ISA 220 *Quality Management for an Audit of Financial Statements* converted into Australian format.

Based on the discussion and outcome in Agenda Item 3, the AUASB agreed to delay the approval and issuance of the EDs of the Quality Management Standards to a teleconference on the 20th March 2019, to allow the ATG time to develop the Australian Explanatory Memoranda for each ED.

The AUASB discussed and amended the list of significant matters it had identified for each proposed standard which it believed required consideration by Australian stakeholders, as well as the proposed wording of the associated Australian specific questions to be included in each Explanatory Memorandum. These will be updated in the revised ED documentation prepared by the ATG for the teleconference to approve the ED’s on 20th March 2019.

(Agenda Item 5 – Minute 1253) ASRE 2410 – Approval of ED 05/19

The AUASB were presented with a revised version of the Exposure Draft for ASRE 2410, which is being updated and reviewed in conjunction with the New Zealand Auditing and Assurance Standards Board (NZAuASB). The AUASB supported the direction of the ED and requested amendments which will be brought back to the AUASB for review and approval at the next regular meeting on 16 April 2019.

(Agenda Item 6 – Minute 1254) Agreed-Upon Procedures (AUP)

The AUASB reviewed the draft response to the IAASB in relation to the revised International ED on AUP, ISRS 4400. The AUASB considered the responses received from stakeholders on the AUASB Consultation Paper released in December 2018 seeking feedback on the proposed version of this ED, with particular emphasis on where the ED differs from the extant version of ASRS 4400 *Agreed-Upon Procedures to Report Factual Findings*.

The AUASB deliberated over a number of elements of the ED based on the current Australian requirements in ASRS 4400 and feedback received on the Consultation Paper – specifically in respect of professional judgment, independence and restriction of use of the AUP report. Feedback from the AUASB was captured for a revised response to the IAASB which the ATG will update and then send to AUASB members for ‘fatal flaw’ review before being submitted to the IAASB by the closing date for submissions on 15 March 2019.



(Agenda Item 7 – Minute 1255) Review of March 2019 IAASB Papers

The AUASB were informed about, and discussed, the key matters on the IAASB's March 2019 Agenda, with the two main topics being:

- (a) An update on changes to Exposure Draft ISA 315 *Identifying and Assessing the Risks of Material Misstatement* proposed by the ISA 315 Task Force, which outlines different approaches to address concerns raised by stakeholders about the complexity and scalability/proportionality of this proposed standard. Feedback from AUASB members on these different approaches was mixed, but the AUASB was pleased to note that many of the other matters raised in their submission to the IAASB on this ED have been acknowledged and are likely to change.
- (b) Review of the IAASB proposed Discussion Paper on "Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges" which sets out the IAASB's commitment to exploring different actions to address issues practitioners face when performing audits of Less Complex Entities (LCE's). AUASB members were very supportive of this initiative from the IAASB and the overall approach of the Paper. A number of AUASB members had concerns about how the options to address LCE audits had been presented in the Discussion Paper and committed to provide their feedback directly to the Chair of the IAASB LCE Working Group, AUASB Chair and new IAASB member Prof. Roger Simnett.

(Agenda Item 8 – Minute 1256) AUASB Technical Work Program Update

AUASB Members were briefly presented with an update of performance against the approved version of the 2018-19 AUASB Technical Work Program through to February 2019 and the AUASB Forward Agenda for the rest of 2019.

In addition AUASB Members were informed about upcoming presentations the ATG will be involved with at the CA ANZ Audit Conferences from March – May 2019 in the main capital cities.

Next Meeting

The AUASB will be holding its next meeting via Teleconference on 20th March 2019 at 10am EDT, to review and approve the Exposure Drafts for the Quality Management Standards (ISQM 1, ISQM 2 and ISA 220).

The next regular meeting of the AUASB will be held in Melbourne, on Tuesday, 16 April 2019 commencing at 9.00 a.m.

Close of Meeting

The Chair closed the meeting at 5.00 p.m.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 16 April 2019



Subject: Minutes of the 107th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Teleconference
Date: Wednesday 20 March 2019, 10.00am to 11.30am

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan
Ms Julie Crisp
Mr Klynton Hankin
Dr Noel Harding
Mr Rodney Piltz
Ms Carolyn Ralph
Mr Justin Reid

AUASB Technical Group: Mr Matthew Zappulla
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Mr Tim Austin
Ms Jean You

Apologies: Ms Jo Cain

Minutes

(Agenda Item 1 – Minute 1257) Welcome and Introduction

The Chair welcomed members to the meeting to approve, for exposure in Australia, the IAASB's suite of proposed Quality Management Standards.

(Agenda Item 3 – Minute 1258) Update from March IAASB Meeting

The Chair provided an update to the AUASB on the key discussions of the IAASB's March 2019 Meeting in Toronto, Canada - the first since the AUASB Chair's appointment as an IAASB Member. The key topics discussed were the progress the IAASB had made revising ISA 315 *Identifying and Assessing the Risk of Material Misstatement* in response to the feedback received globally on the Exposure Draft (ED) and developing the Less Complex Entities (LCE) Discussion Paper (DP).

The LCE DP is expected to be released by the IAASB in Mid-April 2019 for a 120 day comment period. The AUASB will conduct outreach to obtain Australian stakeholder's views on the LCE DP in conjunction with its outreach activities associated with the EDs for the Quality Management Standards in April and May 2019. A summary of stakeholder feedback will be provided to the AUASB at the June 2019 AUASB Meeting.

(Agenda Item 4 – Minute 1259) Approval of Exposure Drafts for Quality Management Standards

As directed by the AUASB at the 6 March AUASB Meeting (Agenda Item 4) the AUASB Technical Group (ATG) prepared an Australian Explanatory Memorandum to wrap-around each of the IAASB's Quality Management Exposure Drafts (EDs).



The AUASB was also presented with an Explanatory Guide which outlined to Australian stakeholders how the Quality Management Standards were being exposed in Australia and the AUASB discussions that resulted in this exposure process.

Explanatory Guide

The AUASB were supportive of the structure and objective of the Explanatory Guide. AUASB Members committed to provide editorial changes to the document to improve its clarity. In particular AUASB Members wanted it made clear to stakeholders in the Explanatory Guide that the AUASB may decide to re-expose the Quality Management Standards after they been finalised by the IAASB if:

- the changes from ED to the final standard are significant; and/or
- if any proposed Australian modifications are considered to meet the 'compelling reasons test' by the AUASB.

Explanatory Memorandum

The AUASB were supportive of the structure of the Explanatory Memorandums and provided feedback to be applied across all three EMs.

The AUASB challenged whether all the Australian questions developed by the ATG were necessary, as in some cases an existing IAASB question had already appropriately covered the AUASB's concerns.

A number of changes across the three standards were made to highlight the major changes from the extant standard (where relevant) and to improve the Australian questions being proposed. The AUASB requested that the 'Request for Comment' section in each Explanatory Memorandum be amended to request stakeholders to respond to the Australian questions in each ED, even if they plan to respond to the IAASB directly.

The Chair called for a vote to approve each of the Explanatory Memoranda and associated EDs for the proposed ASQM 1, ASQM 2 and ASA 220 individually. All AUASB members present approved the issuance of each of the EDs, subject to the changes requested by AUASB members being reviewed and approved by the AUASB Chair and Deputy Chair.

Next meeting

The next regular meeting of the AUASB will be held in the Melbourne on Tuesday, 16 April 2019, commencing at 9:00 am.

Close of Meeting

The Chair closed the meeting at 11.30 a.m.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 16 April 2019

Matters Arising from Previous Meetings and Action List
Agenda item 1.4.1: AUASB Meeting 16 April 2019



Australian Government
 Auditing and Assurance Standards Board

Status	Definition
Suspended	Will not be actioned in short-term
Pending	Yet be actioned
Outstanding	Matter ongoing - still to be actioned
In-progress	Progressing as expected
Completed	Matter resolved

Colour	Priority
	High
	Normal

Meeting Date	Action #	Matter Arising	Custodian	Status	Targeted completion	Comments
6-Mar-19	106.01	Update the international strategy based on ED process discussion.	Matthew	In-progress	16-Apr-19	Refer to Agenda item 3.
6-Mar-19	106.02	Review and discuss ED process trialled with QM standards and update process documents to reflect agreed process.	Matthew	Pending	3-Dec-19	To be actioned in second half of 2019 following exposure of Quality Management Standards.
6-Mar-19	106.03	Provide reconciliation of AUASB matters raised in response to IAASB matters following and proceeding the review of IAASB papers at each AUASB meeting.	Matthew	Pending	12-Jun-19	To be actioned for June 2019 AUASB Meeting
4&5 Dec 19	105.2	Share FRC Literature Review in respect of Audit Quality measures with AUASB Members	Anne	Outstanding	TBD	Awaiting information from FRC Secreteriat
4&5 Dec 19	105.3	Board discussion about the IAASB's direction and the trend of standards no longer being fit for purpose for all stakeholders	Roger	Pending	16-Apr-19	Discussion on this matter to be integrated with review of IAASB Strategy at April 2019 AUASB Meeting.
4&5 Dec 19	105.4	Review of AUP responses and AUASB Submission	Rene	Completed	6-Mar-19	Agenda item 6 March 2019.
4&5 Dec 19	105.5	Final EISS Strategy to incorporate AUASB Feedback	Anne	Outstanding	16-Apr-19	Deferred to June 2019 AUASB meeting.
4&5 Dec 19	105.6	Update and review of ASRE 2410 ED	Anne	In-progress	6-Mar-19	Refer Agenda item 7
4&5 Dec 19	105.7	Review of plan for update of all AUASB Guidance Statements	Tim	In-progress	16-Apr-19	Refer Agenda item 8
4&5 Dec 19	105.8	Review and discussion of updated ED process piloted per ISA 315	Anne	Completed	6-Mar-19	Refer Agenda item 3 March 2019 AUASB Meeting
4&5 Dec 19	105.9	Suggestions for Guest Speakers for April meeting from AUASB members	Tim	Completed	16-Apr-19	Guest speakers from ASIC arranged for April 2019 AUASB Meeting.
4&5 Dec 19	105.10	Draft of Assurance Framework Bulletin	Tim	Pending	16-Apr-19	Deferred to June 2019 AUASB meeting.
4&5 Dec 19	105.11	Bookmarking of AUASB Meeting Papers pdf file	Tim	Completed	6-Mar-19	Completed in Mail-out 3 of March 2019 AUASB Meeting.
4&5 Dec 19	105.12	Maintain list of DA references for AUASB Board members in Dropbox	Jean	Pending	TBD	New AUASB Staff Member (Jean) currently working on this task.
4&5 Dec 19	105.13	Updated GS012 project plan and update on PAG	Matthew	Pending	16-Apr-19	Refer to Agenda item 8.
4&5 Dec 19	105.15	Update on ISA/ASA 540 Implementation Guidance and Activities	Rene	Outstanding	16-Apr-19	Deferred to June 2019 AUASB meeting.
4&5 Dec 19	105.16	Update on GS 005 PAG	Rene	In-progress	16-Apr-19	Refer to Agenda item 8.
4&5 Dec 19	105.17	Public Sector PAG Update	Matthew	In-progress	16-Apr-19	Refer to Agenda item 8.
4&5 Dec 19	105.18	AUASB review and submission on IAASB 2020-2023 Strategy Consultation Paper.	Matthew	In-progress	16-Apr-19	Refer to Agenda item 4.
12-Sep-18	103.02	Arrange a guest presentation for the December AUASB meeting on data analytics and technology.	Matthew	Outstanding	16-Apr-19	Deferred to June 2019 AUASB Meeting.
12-Sep-18	103.03	Develop criteria to determine when submissions require AUASB approval as opposed to Chair approval.	Roger	Outstanding	16-Apr-19	Deferred to June 2019 AUASB Meeting.
12-Sep-18	103.07	Hold discussion at December AUASB meeting on the implications for the AUSAB framework arising from the FRC/AUASB report on Audit committee chair perception of audit quality.	Anne	Outstanding	16-Apr-19	Deferred to June 2019 AUASB Meeting.
13-Jun-18	101.02	Request for AUASB Technical Group Members to attend any Firm data analytics / audit technology related training courses or briefings provided to ASIC.	Board Members	In-progress	Ongoing	Data & Analytics training for AUASB staff and Chair being hosted by KPMG on 27 March 2019. Board members to advise Matthew if this opportunity arises.
28-Nov-17	97.05	Technical Group to seek and consider of feedback on ASAE 3450 and monitor NZAuASB project to determine if any amendments are needed to ASAE 3450	Anne	Pending	TBD	Technical group have requested Board Members to identify relevant persons due to the narrow applicability of this standard. NZAuASB to kick off this project shortly.
26-Jul-16	94.01	Revised guidance statement on Questions at AGMs. At November 2017 meeting (M97): - The AUASB did not consider this to be a priority project at this time; and - AUASB technical Group was requested to consider how to raise awareness of the enhanced auditor report in the investor/user community	Anne	Pending	TBD	AUASB Technical Group to provide plan for updating Guidance Statements at April 2019 AUASB Meeting.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 1.5.1

Meeting Date: 16th April 2019

Subject: AUASB Speaking Register

Date: 02 April 2019

Action Required

For Information Purposes Only

Events since last AUASB Meeting

Presenter	Date	Presenting to	Topic
Matthew Zappulla Rene Herman	19 March 2019	CA ANZ Audit Conference - Brisbane	ASA 540; ISA 315; LCE Audit Issues
Robin Low Rene Herman Anne Waters Matthew Zappulla	9 & 10 April 2019	CA ANZ Audit Conference - Sydney	Audit Quality Panel; ASA 540; ISA 315; LCE Audit Issues

Future Events

Presenter	Date	Presenting to	Topic
Rene Herman Matthew Zappulla Roger Simnett	7 & 8 May 2019	CA ANZ Audit Conference - Melbourne	Audit Quality Panel; ASA 540; ISA 315; LCE Audit Issues
Anne Waters	14 May 2019	CA ANZ Audit Conference - Adelaide	ASA 540; ISA 315; LCE Audit Issues
Anne Waters	22 May 2019	CA ANZ Audit Conference - Perth	ASA 540; ISA 315; LCE Audit Issues
TBD	TBD	Sydney, Melbourne, Perth, Brisbane	QM Standards Workshop
Roger Simnett	16 May 2019	Global SMP Conference, Paris	LCE Discussion Paper

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 Meeting Register – April 2019

Organisation	Contact	Position	Who from AUASB	Frequency of Meeting	Last Contact Date
Strategic Stakeholders – Domestic					
ACAG Auditing Standards Committee	Andrew Richardson	Chair	Roger Simnett	Annually	11/10/2018
Australian National Audit Office	Grant Hehir	Auditor-General	Roger Simnett	Annually	07/12/2018
ACNC	Gary Johns	Commissioner	Roger Simnett	Annually	
ACNC	Mel Yates	Director	Matthew Zappulla / Tim Austin / Roger Simnett	6 monthly	6/2/2019
AFAANZ Auditing SIG	Robyn Moroney	Chair	Roger Simnett / Noel Harding / Anne Waters	6 monthly	23/1/2019
APESB	Nancy Milne	Chair	Roger Simnett	Annually	26/3/2019
APESB	Channa Wijesinghe	CEO	Matthew Zappulla	6 monthly	26/03/2019
APRA	Wayne Byres	Chair	Roger Simnett	Annually	
APRA	Rob Sharma	Head Accounting Services	Matthew Zappulla / Senior Project Manager	6 monthly	
ASIC	James Shipton	Chair	Roger Simnett	Annually	
ASIC	John Price	Commissioner	Roger Simnett /AUASB	Quarterly	16/04/2019
ASIC	Doug Niven	Head Accountant	Roger Simnett / Senior Project Manager	Quarterly	21/03/2019
CA ANZ	Rick Ellis	CEO	Roger Simnett	Annually	
CA ANZ	Amir Gandhar	Reporting and Assurance Leader	Matthew Zappulla	Quarterly	09/04/2019
CPA Australia	Andrew Hunter	CEO	Roger Simnett	6 monthly	



Organisation	Contact	Position	Who from AUASB	Frequency of Meeting	Last Contact Date
CPA Australia	Gary Pflugrath	Head of Policy and Advocacy	Roger Simnett / Matthew Zappulla	Quarterly	27/2/2019
CPA Australia	Claire Grayston	Senior Policy Advisor	Matthew Zappulla	Quarterly	27/2/2019
IPA	Andrew Conway	CEO	Roger Simnett	Annually	
AICD	Angus Armour	CEO	Roger Simnett	6 monthly	
Strategic Stakeholders – International					
AASB Canada	Ken Charbonneau	Chair	Roger Simnett / Matthew Zappulla	Quarterly	11/3/2019
IAASB (Canada)	Eric Turner	Member	Roger Simnett	Quarterly	11/3/2019
NBA (Netherlands)	Jan Thijs Drupsteen	Director	Roger Simnett / Matthew Zappulla	Quarterly	11/3/2019
NZAuASB	Robert Buchanan	Chair	Roger Simnett	Monthly	09/04/2019
NZAuASB	Sylvia Van Dyk	Director	Matthew Zappulla	Quarterly	28/03/2019
IAASB (Singapore)	Chun Wee Chiew	Member	Roger Simnett	Quarterly	11/3/2019
Nordic Federation	Per Hanstad	CEO	Roger Simnett	Annually	5/11/2018
IAASB (Japan)	Sayaka Sumida	Member	Roger Simnett	Quarterly	11/3/2019
IAASB	Arnold Schilder	Chair	Roger Simnett	Quarterly	11/3/2019
IAASB	Fiona Campbell	Deputy Chair	Roger Simnett	Quarterly	11/3/2019
IAASB Staff	Willie Botha	TD	Roger Simnett / Matthew Zappulla	6 monthly	11/3/2019
IAASB Staff	Beverley Bahlmann	Deputy	Roger Simnett / Matthew Zappulla	6 monthly	11/3/2019
IAASB (South Africa)	Imran Vanker	Member	Roger Simnett	Quarterly	11/3/2019
IIRC	Liz Prescott	Technical Director	Roger Simnett / Marina Michaelides	6 monthly	
Other Stakeholders – Domestic					
Australian Auditor Generals	Auditor Generals	A-G	Roger Simnett / Matthew Zappulla	As required	



Organisation	Contact	Position	Who from AUASB	Frequency of Meeting	Last Contact Date
Heads of Audit	Big 6 accounting firms	N/A	Roger Simnett	Annually	
ACAG	Rachel Portelli	Secretariat	Matthew Zappulla	Quarterly	
Department of Finance	Stein Helgeby	Deputy Secretary	Roger Simnett	6 monthly	28/2/2019
Other Stakeholders – Domestic (continued)					
AICD	Kerry Hicks	Senior Policy Advisor	Matthew Zappulla / Senior Project Manager	6 monthly	
ASX	Kevin Lewis	Board Member	Roger Simnett	6 monthly	
G100	Andrew Porter	CFO	Roger Simnett	Annually	
IIA	Peter Jones	CEO	Roger Simnett	Annually	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **1.9.0**
Meeting Date: 16 April 2019
Subject: FRC Matters
Date Prepared: 9 April 2019

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To update the AUASB on the FRC Matters.

Matters to Consider

1. The FRC released a Statement on Audit Quality on 5 April 2019 to communicate that the FRC and ASIC are in agreement that the results of the ASIC Audit Inspection programs in 2017 and 2019 indicate further work and, in some cases, new or revised strategies are needed to improve audit quality. The Statement includes the initiatives the FRC have conducted and intend to conduct to continue to monitor closely actions being taken and the results achieved over the next year.

Refer to Apr19_1.9.1_FRCStatementonAuditQuality

2. The FRC's report on Auditor Disciplinary Processes was issued to Treasury on 6 March 2019. Treasury have issued their response and agree with all but one of the FRC's recommendations.

Link to FRC report: <http://treasury.gov.au/sites/default/files/2019-04/p2019-t374191-review.pdf>

Attached is Treasury's response which summarises FRC's recommendations and Treasury's response: Refer to Apr19_1.9.2_AudDiscRevRep

3. New FRC Board members announced including Bill Edge has been reappointed as Chair.

[Treasury Portfolio Appointments | The Hon Stuart Robert MP](#)

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.

Material Presented

Agenda Item 1.9 1.9.0 AUASB Board Meeting Summary Paper
 Apr19_1.9.1_FRCStatementonAuditQuality
 Apr19_1.9.2_AudDiscRevRep

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.			AUASB	16 April 2019	

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.

FRC Statement on Audit Quality

Given the importance of Australian audit quality in maintaining confidence in Australian capital markets, both the FRC and the Australian Securities and Investment Commission (ASIC) consider the results of the ASIC Audit Inspection Programs in 2017 and 2019 indicate further work and, in some cases, new or revised strategies are needed to improve audit quality.

After the 2017 ASIC findings and discussion with the former Minister for Revenue and Financial Services, the FRC concluded that it was premature to propose any legislative changes but that it would continue to monitor closely actions being taken and results achieved over the next year.

Subsequently, the FRC Chair met with the Chair and CEO of each of the four largest accounting firms and the CEO of each of the professional accounting bodies to seek their observations on audit quality and their proposed action. Those organisations sent formal written replies following the meetings.

To obtain a broader perspective on audit quality, the Chair also wrote to stakeholder groups interested in financial reports to seek their views. Formal written replies were received from ACNC, ACSI, AICD, APRA, ASA, ASFA, ASX, IIA and the Group of 100.

The FRC noted ASIC's findings from its financial reporting surveillance program consistently indicate that 4% of reports reviewed result in a material misstatement that requires correction.

The FRC considered the feedback and concluded that, based on the evidence, and while improvements are needed, external audits continue to assist in maintaining trust and confidence in financial reports.

Commentary suggesting this statement indicates that the FRC has a contrary view to ASIC regarding audit quality misrepresents the facts.

The FRC's statement focuses on whether the audit quality issues noted by ASIC appear to have had an impact on the desired outcomes of maintaining trust and confidence in financial statements. The FRC explicitly acknowledged in its February 2018 FRC Audit Quality Action Plan that, audit quality does need to improve.

The FRC Audit Quality Action Plan aims to achieve the following objectives:

- engage with users of financial reports to better understand their views on audit quality;
- undertake appropriate actions on the learnings of the ASIC Audit Inspection Program to contribute to the continuous development of best practice programs to assess audit quality; and
- engage with professional accounting bodies, firms providing audit services, and other stakeholders to support initiatives that improve audit quality.

Substantial progress on completing the Action Plan was made during 2018, with detail available on the FRC website and in the FRC Annual Report for 2017-18. The FRC continues to view collective action by all stakeholders in the financial reporting system as key to improving audit quality.

These views have been presented by the FRC to the Parliamentary Joint Committee on Corporations and Financial Services (PJC).

The FRC supports ASIC working on a response to the recent recommendation of the PJC that ASIC devise and conduct, alongside or within the current ASIC Audit Inspection Program, a study which will generate results which are comparable over time to reflect changes in audit quality. This is particularly important as there is no clear measure of 'audit quality' although there are many Audit Quality Indicators.

The FRC has conducted a review of professional and academic literature internationally which identified a range of Audit Quality Indicators (over 30) with varying degrees of measurability.

With the support of the FRC, the Auditing and Assurance Standards Board (AUASB) and ASIC have met and are working through areas where more guidance may be required in the auditing standards. The AUASB also meets with each of the Big 6 accounting firms to understand areas where they consider more guidance may be required. The AASB has also identified impairment issues as a key component of audit quality issues and its recent research report is being used to encourage the International Accounting Standards Board to improve the relevant accounting standard.

Two key initiatives undertaken by the FRC, in conjunction with the AUASB, include:

- a survey of Audit Committee Chairs (ACCs) - 91 responses from ACCs of the ASX top 300 companies revealed that 92% responded that they believed that audit quality was 'above average' or 'excellent'. This survey was conducted with the cooperation of ASIC; and
- a survey of professional investors - 47 responses from portfolio/investment managers, research analysts and other shareholders revealed that 60 per cent considered that audit quality was 'above average' - however 33 per cent considered audit quality was 'average' and this indicates that further action is required. This survey was conducted with the cooperation of FSC, ACSI, AIST, APRA and the Corporate Reporting Users Forum (CRUF).

In January 2019 ASIC released the results of its Audit Inspection Program results for the 18 months to 30 June 2018.

The FRC agree with the comments in ASIC's press release that although there were some improvements in findings collectively for the largest 6 firms, the overall findings suggest that further work, and in some cases, new or revised strategies, are still needed to improve audit quality.

The FRC recognises the response of the large accounting firms in Australia throughout 2018 to the concerns over audit quality. These firms have informed the FRC that they are implementing additional accountability mechanisms, expanding their communication and education, and conducting analysis of the root causes of any weaknesses identified by the ASIC reviews. The FRC will continue to monitor the outcomes of this work and its impact on audit quality.

The FRC continues to encourage all stakeholders in the financial reporting system to share their views and actions taken to address the issue of audit quality. The FRC will continue to implement its Audit Quality Action Plan, and to maintain continual dialogue and cooperation with stakeholders, particularly with ASIC, the AUASB and AASB to improve audit quality in the Australian financial system.



Australian Government

Australian Government response to the
Financial Reporting Council's
Auditor Disciplinary Processes: Review

April 2019

AUSTRALIAN GOVERNMENT RESPONSE TO THE FINANCIAL REPORTING COUNCIL'S AUDITOR DISCIPLINARY PROCESSES: REVIEW

The Government recognises the important role that auditors play in fostering confidence in the integrity of our markets. The Government is committed to ensuring auditors are held to a high standard, and auditors that fail to discharge their statutory or professional duties are appropriately sanctioned.

In line with this commitment, on 7 November 2018, the Government requested that the Financial Reporting Council (FRC) conduct a review of the adequacy of disciplinary processes for auditors. The request to the FRC was made in response to the recommendation of the Parliamentary Joint Committee on Corporations and Financial Services in its *Report on 2016-2017 Annual Reports of Bodies Established under the ASIC Act*.

The FRC's *Auditor Disciplinary Processes: Review* report was presented to the Assistant Treasurer, the Hon Stuart Robert MP on 7 March 2019. The Government agrees, agrees-in-principle, or supports 17 recommendations and does not support one recommendation made by the FRC in its report.

The Government agrees with the FRC's view that the Australian Securities and Investments Commission's (ASIC) processes should be improved, that the Companies Auditors Disciplinary Board (CADB) conduct its affairs with less formality and technicality, and that professional accounting bodies should refer disciplinary matters to ASIC where it suspects the law may have been breached.

The Government has agreed and supported several recommendations to improve the transparency of auditor disciplinary processes. This includes CADB publishing the commencement of proceedings including naming the registered company auditor (RCA) subject to the proceedings and his or her firm, and the naming of firms that are found by ASIC's audit inspection program to have conducted audits that do not meet Australian standards.

In agreeing to these recommendations, the Government acknowledges that effective auditor disciplinary processes should provide a general deterrent against poor audit quality or auditor misconduct, as well as the specific deterrent provided by existing mechanisms.

The Government thanks the FRC for conducting its review.

	Recommendation	Government response
ASIC's detection, investigation, and enforcement processes		
1.	ASIC should adopt a more structured and consistent approach to preliminary investigations of Registered Company Auditor (RCA) misconduct matters.	The Government supports ASIC acting on this recommendation.
2.	ASIC should improve its record keeping and data management systems to ensure key decision points in relation to RCA matters are easily tracked across the organisation.	The Government supports ASIC acting on this recommendation.
3.	ASIC should evaluate whether the criteria used for resourcing a RCA misconduct matter for enforcement action appropriately recognises the market-wide benefits of improving audit quality.	The Government supports ASIC acting on this recommendation.
4.	ASIC should outline how their 'why not litigate' enforcement strategy will apply to misconduct by RCAs.	The Government supports ASIC acting on this recommendation.
5.	Barriers to ASIC making a factual public announcement when a RCA voluntarily cancels his or her registration while under investigation should be identified and addressed.	<p>The Government does not agree that ASIC should be empowered to make an announcement when a RCA voluntarily cancels his or her registration while under investigation, and only supports ASIC publishing such a notice where a RCA consents to this announcement.</p> <p>The Government notes that naming RCAs while under investigation could cause reputational damage to the RCA without due process. Instead, the Government considers expanding CADB's disciplinary powers and remit beyond the extension proposed in recommendation 8 to include auditors that have been deregistered would strengthen the disciplinary process and ensures disciplinary action can still take place even where an auditor voluntarily cancels his or her registration.</p>

Companies Auditors Disciplinary Board (CADB)		
6.	CADB and ASIC should work to adopt a less formal and a more timely approach to the carriage of CADB matters. This should include a review of CADB's practice and procedures manuals.	The Government supports CADB and ASIC acting on this recommendation.
7.	The Government should consider revising provisions so that CADB may publish the commencement of proceedings including naming the RCA subject to the proceedings and his or her firm.	The Government agrees with this recommendation and will consider revising provisions, with regard to ensuring that proceedings are publicised only when it is appropriate to do so.
8.	The Government should consider providing CADB with additional disciplinary powers, including powers to suspend registration during a CADB proceeding and impose fines against individual RCAs or the firms that employ them, if adverse findings are made.	The Government agrees-in-principle with this recommendation and will consult on reforms to provide CADB with additional disciplinary powers. Additionally, the Government will consult on reforms to expand CADB's remit and powers to allow CADB to impose sanctions against individuals for conduct while they were a RCA, even if they are no longer registered. This reform would ensure disciplinary action can still take place even where a RCA voluntarily cancels his or her registration.
9.	If a greater number of applications are made to CADB as a result of current and upcoming reforms, the Government should consider whether CADB will require additional administrative support to ensure matters are dealt with.	The Government agrees with this recommendation and will monitor CADB's workload to consider whether it is appropriately resourced.
ASIC's Audit Inspection Program		
10.	Potential breaches of the law and failures of RCAs to meet their obligations identified in ASIC's Audit Inspection Program should be reviewed for possible enforcement action.	The Government supports ASIC acting on this recommendation.
11.	ASIC should publish the results of audit inspections in greater detail, including naming firms.	The Government notes that while this is a recommendation for ASIC, it supports ASIC acting on this recommendation should it choose to do so.

12.	ASIC be given the power to compel remediation of defective audits, alongside the power to publish notices when this occurs.	The Government agrees-in-principle with this recommendation and will consult on reforms to empower ASIC to compel remediation of defective audits.
13.	ASIC should consider the division of resources between audit inspection and financial reporting surveillance work to ensure that ASIC's resources are being used effectively to ensure good RCA audit quality.	The Government supports ASIC acting on this recommendation.
14.	ASIC and the Financial Reporting Council (FRC) will work together to implement the Parliamentary Joint Committee on Corporations and Financial Services report Oversight of ASIC, the Takeovers Panel and the Corporations Legislation No.1 of the 45th Parliament recommendation to devise a study that would track audit quality over time.	The Government supports ASIC and the FRC acting on this recommendation.
Professional accounting bodies		
15.	Professional bodies should refer to ASIC all matters relating to RCAs where there appears there may be a breach of the law.	The Government supports professional accounting bodies acting on this recommendation.
16.	Professional bodies should accurately record all disciplinary processes, including those that lead to no substantive action, and the reasons for the decision. They should also distinguish between lack of evidence that conduct was inappropriate and lack of evidence because information was not provided.	The Government supports professional accounting bodies acting on this recommendation.
17.	Professional bodies should formalise processes for advising each other and the FRC of their disciplinary proceedings, particularly regarding RCAs.	The Government supports professional accounting bodies acting on this recommendation.
18.	Professional bodies should publicly report statistics on the number of complaints they receive, and the number of complaints that do not proceed.	The Government supports professional accounting bodies acting on this recommendation.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **2**

Meeting Date: 16 April 2019

Subject: Report on IAASB March 2019 Meeting

Date Prepared: 9 April 2019

Prepared By: Matthew Zappulla

Action Required

For Information Purposes Only

Agenda Item Objectives

1. Report to AUASB on the main matters discussed at the March IAASB meeting and implications for the AUASB.

Material Presented

Agenda Item 2	AUASB Board Meeting Summary Paper
Agenda Item 2.1	Report on IAASB March 2019 Meeting

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.



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 2.1

Meeting Date: 16 April 2019

Subject: Report on IAASB March 2019 Meeting

Date Prepared: 2 April 2019

This paper provides an overview of the International Auditing and Assurance Standards Board (IAASB) meeting held in Toronto, Canada on 11 – 15 March 2019 for the AUASB.

Summary of IAASB Deliberations

ISA 600, Group Audits

The IAASB discussed an approach to scaling group audits - described as a “top-down, risk-based” approach. In this approach, the group auditor starts by assessing the risks of material misstatement in the group financial statements. This approach was considered as an alternative to the extant approach, in which the group auditor scopes the group audit starting with identifying the components.

- There was support to further develop the new approach to scoping a group audit
 - Practical concerns
 - Importance of two way communication between group engagement team and component auditor
 - Keep identification of components/ not to "throw the baby out with the bath water"
 - In a group audit it is important to know the "pieces" and sources of information that flow into the group financial statement
 - Use different term, ‘top down approach’ is confusing
 - Suggestion: risk based scoping approach led by the group engagement team
- There was support for considering whether changes are needed to certain definitions
 - First focus on scoping a group audit and then look at definitions
- Many other suggestions were received, for example
 - Include more on internal controls and automated tools and techniques
 - Access to information: what can auditor do when there is limited access

Implications for the AUASB

Continue to monitor developments leading up to June 2019 IAASB Meeting.

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.

ISA 315, Identifying and Assessing the Risks of Material Misstatement

The IAASB discussed different approaches to addressing concerns about length, complexity and scalability of the exposure draft as expressed in the comment letters received, as presented in Agenda Item 4-A.

- Although supportive of many individual proposals, the Board challenged whether the Task Force had gone far enough in the approach for the requirements to address the length, complexity, proportionality and scalability of the standard.
- In relation to the 2 alternative approaches to the requirements presented for the understanding of the system of internal control section of the standard:
 - The Board generally gravitated towards Option 2 (Column 4) as presented in Agenda Item 4-A. However, although more Board members preferred this option, concern was expressed that it may not be sufficient to address the length or complexity of the standard.
 - There were some views that neither option is a suitable solution.
 - With specific reference to option 1, concerns were expressed regarding the flow, I.e. evaluation prior to understanding.
- In discussing possible solutions to address complexity and the length of the standard, mixed views were expressed, for example:
 - There were suggestions that some stakeholders may have an expectation that certain requirements should be conditional, for example, the requirement to perform D&I procedures where a fully substantive approach is taken.
 - However, the Task Force and Board agreed that this would weaken the extant standard, also recognizing that the Board supported calls to retain at least all extant requirements.
 - Some Board members noted that ED-315 is inherently a complex standard, and therefore, if it requires 'long' requirements or application material to appropriately articulate the desired outcome and to achieve consistent application, so be it.
- Based on the comments from the Board, the Task Force performed an analysis of the proposed requirements, with the objective to identify the
 - What the auditor is required to do?
 - Definitions describing the meaning for certain words
 - Why is the auditor required to the what?
 - How should the requirement be applied?
- The Task Force brought back to the Board a revision of the requirements (related to the system of internal control) consisting only of the 'WHAT,' and the inclusion of the definitions of each component in the definitions' section.
 - There was overwhelming support for this approach, although many Board members noted that they would like to visualize or see the full picture (I.e. the whole standard) before being able to conclude.
 - One Board member was concerned that this may weaken the requirements.

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.

- The placement of the ‘how’ and ‘why’ requires further consideration by the Task Force, although there was some support from the Board to include in application material.
- There was agreement that scalability is unlikely to be resolved within the requirements itself, but rather through the application material or other forms of non-authoritative material.
- Individual aspects
 - The Board did not support the emphasis on identifying control deficiencies and communicating them in accordance with ISA 265 as a purpose for the understanding of the system of internal control
 - Support for separate assessment of inherent risk and control risk
 - In aligning the threshold of reasonable possibility with the definition of risk of material misstatements, the Board broadly supported option 2, i.e. add application material in ISA 200 to explain that the risks of material misstatement that are identified are those that are reasonably possible to occur.
 - Broad support for
 - The change of the definition of significant risk (‘likelihood or magnitude’ to ‘likelihood and magnitude’)
 - Retention of stand-back and ISA 330 para. 18, which is a safety net such that the auditor performs substantive procedures over all material account balances in the financial statements
 - Introduction of the spectrum of inherent risk
 - Updates to the purpose of the risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identifying and assessment of ROMMs., although still some concern about including the term ‘audit evidence’ in this context
 - Proposals to analyse, streamline and update application material

Implications for the AUASB

Most feedback provided by AUASB in its submission has been addressed by the ISA 315 Task Force was supported by the IAASB.

Continue to monitor developments leading up to June 2019 IAASB Meeting. Expect considerable amendments to be made by the ISA 315 Task Force before the next meeting, particularly as strong linkages with potential direction of LCE Discussion Paper responses (refer below)

Standard will not be approved until September 2019, and possibly delayed until December.

Audits of Less Complex Entities

The IAASB considered the draft Discussion Paper that is proposed to be issued to solicit input into a project to consider the challenges facing auditors of less complex entities.

- The Board was supportive of direction of Discussion Paper, noting importance of the topic

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.

- The Board liked the simple, clear way the Discussion Paper had been presented, noting appropriate for target audience
- There were various suggestions for improvements, but in particular in relation to:
 - Issues and challenges – the board noted that it was important to understand the root causes to be able to determine an appropriate way forward
 - Possible actions – the Board supported setting out the possible actions by the IAASB and by others, but questioned how various aspects that had been presented,
 - The Board asked that further consideration be given to how technology as a possible action is presented within the paper.
 - Noted balance was important to not give the impression that decisions had already been made
 - Encouraged that further consideration be given to how it could be made clear that this was information gathering as evidence needed to provide a basis for future activities
- Way forward – will bring changes to Board call on 10 April, with final document targeted to be published before the end of April.
- There will be a conference focused on the issues facing small and medium practices in Paris 16-17 May 2019.

Implications for the AUASB

As Roger is the LCE Working Group Chair all developments are being closely monitored and AUASB members input being sought where required.

Outreach on LCE paper to be included in the plan for Quality Management Standards in May 2019 (Refer Agenda Item 5). Roger and Matthew attending NSS Meeting and LCE/SMP Conference in Mid-May.

Detailed AUASB review and development of AUASB response to LCE Discussion Paper to be included on June 2019 AUASB Agenda.

Extended External Reporting

The board:

- Discussed the results of the initial discussions of the EER task force and project advisory panel on the challenges allocated to Phase 2 of the project
- Received IAASB input through breakout groups that did deep dives into several of those challenges, including on the content of the guidance and how the changes should be addressed in the guidance
- The task force will make improvements to the drafting of the phase 2 guidance, taking that input into account for the Board’s further discussion in June 2019.

Implications for the AUASB

Jo/Marina to continue to monitor developments on Phase 2 of the EER Project through the EER Guidance Project Advisory Panel.

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.

Audit Evidence

The IAASB is researching the need for a project on Audit Evidence. The Board received presentations on:

- Artificial intelligence
- Data Analytics
- The American Institute of CPA's Auditing Standards Board project on Audit Evidence

The Board also conducted break out groups on the topic of audit evidence, the results of which will inform whether and how the IAASB will proceed with the project.

Feedback from IAASB was mixed, with some strongly of the view that a broader approach to the evaluation of all the existing IAASB standards addressing audit evidence requirements is required.

Implications for the AUASB

Additional consideration required by IAASB Audit Evidence Working Group. No action for the AUASB at this time.

Conforming Amendments

The Board held a discussion about conforming amendments to be made to its standards and practice note as a result of the new IESBA Code, and new auditing standards.

Implications for the AUASB

Formal plan for IAASB approach to conforming amendments to be presented to IAASB June 2019 Meeting. AUASB Technical Group to consider and propose local plan at either the September 2019 AUASB meeting.

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. **3**

Meeting Date: 16 April 2019

Subject: Updated AUASB International Strategy

Date Prepared: 9 April 2019

Prepared by: Matthew Zappulla

Action Required

For Information Purposes Only

Agenda Item Objectives

1. For AUASB members to review and provide feedback on the updated AUASB International Strategy described below.

I. Background

2. The 'AUASB International Strategy' describes how the AUASB influences and engages on International auditing and assurance matters to support its mandate and domestic agenda.
3. The International Strategy was last revised and presented for review at the April 2018 AUASB meeting.
4. It has been revised again for the April 2019 AUASB meeting to reflect changes made to the AUASB exposure draft process.

II. The AUASB's International Mandate and Current Strategy

5. The AUASB has an obligation to be actively engaged in International auditing and assurance matters by virtue of the following legislative and oversight requirements:
 - (a) Under section 227B(1)(d) of the ASIC Act, the AUASB's functions include a requirement to "participate in and contribute to the development of a single set of auditing standards for world-wide use".
 - (b) The Financial Reporting Council requires the AUASB to use auditing standards issued by the IAASB as a base from which to develop local Auditing and Assurance standards.
6. Consequently the AUASB has adopted as part of its current vision, mission and strategy the following elements that specifically address our International mandate:

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.

- (a) Contribute to the development of a single set of auditing and assurance standards and guidance for world-wide use (Mission);
 - (b) Develop, issue and maintain high quality Australian auditing and assurance standards that meet the needs of report users, using IAASB Standards where they exist, modified as necessary (Strategic Objective 1); and
 - (c) Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships (Strategic Objective 3).
7. Other elements of the AUASB vision, mission and strategy also contain activities relevant to the AUASB's International mandate, such as engaging with other international stakeholders to influence initiatives to develop assurance standards and guidance that meet user needs for external reporting beyond financial reporting (Strategic Objective 5).
8. In addition, the protocol for cooperation agreed between the NZ External Reporting Board (XRB) and the FRC, AASB and AUASB Chairs requires the AUASB, inter alia, to use its best endeavours to achieve the following outcomes:
- (a) Minimise the differences between auditing and assurance standards issued in Australia and New Zealand;
 - (b) To the maximum extent possible, the AUASB and NZAuASB present similar positions at international forums; and
 - (c) Maximise the contribution to, and thus the influence of the AUASB and the NZAuASB upon the IAASB.

III. Updated AUASB International Strategy

9. In response to feedback from Board Members received in 2017/18 the AUASB Technical Group developed an AUASB International Strategy for consideration at the April 2018 AUASB meeting. A copy of the updated version of this strategy is contained in **Appendix 1**
10. The AUASB International Strategy consists of standard tasks the AUASB performs in relation to the IAASB's regular activities, as well as other internationally focused tasks that the AUASB may undertake on a less regular or project specific basis.
11. In developing the AUASB International Strategy a number of guiding principles designed to underpin the responsibilities of AUASB Members and Technical Group Staff when considering and implementing our International influencing activities were identified. These are listed in Paragraph 5 of the AUASB International Strategy document contained in **Appendix 1**.
12. To facilitate the AUASB International strategy AUASB meetings in 2018 and 2019 have been held a week before their corresponding IAASB meeting dates, thus avoiding the need to schedule additional AUASB meetings/teleconferences. Unless AUASB members disagree, a similar approach will be adopted when selecting dates for 2020 AUASB meetings.

AUASB Technical Group's recommendation and action required by the AUASB

13. AUASB members are requested to review and provide feedback on the updated AUASB International Strategy. Updates from the April 2018 version of the Strategy have been highlighted in **red**.

Material Presented

Appendix 1

AUASB International Strategy (Updated - April 2019)

AUASB International Strategy (April 2019)

Background

1. The AUASB has an obligation to be actively engaged in International auditing and assurance matters by virtue of the following legislative and oversight requirements:
 - (a) Under section 227B(1)(d) of the ASIC Act, the AUASB’s functions include a requirement to “participate in and contribute to the development of a single set of auditing standards for world-wide use”.
 - (b) The Financial Reporting Council requires the AUASB to use auditing standards issued by the IAASB as a base from which to develop local Auditing and Assurance standards.
2. Consequently the AUASB has adopted as part of its current vision, mission and strategy the following elements that specifically address our International mandate:
 - (a) Contribute to the development of a single set of auditing and assurance standards and guidance for world-wide use (Mission);
 - (b) Develop, issue and maintain high quality Australian auditing and assurance standards that meet the needs of report users, using IAASB Standards, where they exist, modified as necessary (Strategic Objective 1); and
 - (c) Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships (Strategic Objective 3).
3. **The objective of the AUASB International Strategy is to:**
 - (a) **Influence international standards and guidance to achieve public interest outcomes and also serve as the most effective base possible for Australian auditing and assurance standards.**
 - (b) **Minimise the risks to Australian reporters, practitioners, users and other stakeholders, whilst optimising the value of these international standards and guidance to achieving the AUASB’s strategic priorities;**
 - (c) **Operationalise the internationally focused aspects of AUASB’s functions and strategic objectives; and**
 - (d) **Outline the methods the AUASB apply to influence the International standard setting agenda in accordance with our mandate.**
4. The strategy consists of both regular international functions undertaken by AUASB members and Technical Group staff to ensure adequate analysis and input into regular IAASB activities and other operational or strategic tasks that support our engagement on international standard-setting issues.
5. The AUASB International Strategy is built upon a number of guiding principles which underpin the responsibilities AUASB Members and Technical Group Staff have when considering and implementing our International influencing activities. These principles are:

Number	Principle
1	All Board Members should come to the Board meetings sufficiently prepared to ensure that they have identified their major concerns with International issues on the agenda, and to be in a position to discuss their concerns.
2	Feedback and issues raised by AUASB Board Members on International matters are communicated with the right International representatives and the outcomes from any International engagement are communicated back to the AUASB.

APPENDIX 1 – AUASB International Strategy (updated April 2019)

Number	Principle
3	The AUASB identify and promote opportunities to work together and share resources with the NZAuASB and other relevant National Standard Setters, and jointly consider best ways to influence internationally. when developing and finalizing our responses to International Auditing and Assurance issues.
4	The AUASB identify and promote opportunities to work with other National Standard Setters, both bilaterally and through the IAASB National Standard Setters Forums, to influence the outcomes of global projects in accordance with in accordance with public interest outcomes
5	The AUASB identify, cultivate and promote the appointment of high quality Australian representatives on relevant International auditing and assurance Committees/Working Groups, and once appointed we support them in their roles. and align our activities wherever possible to increase our global influence.
6	In connection with our AUASB Evidence Informed Standard Setting Strategy, the AUASB identifies and supports the development of evidence supporting the AUASB's responses to International Auditing and Assurance issues, and the informing of international issues.

Regular AUASB International Functions

6. As part of its technical work program the AUASB will perform the following tasks in relation to the IAASB's regular activities:
- (a) The AUASB Chair and AUASB Technical Director to coordinate a process to ensure the AUASB provide regular feedback on the IAASB's strategy and work plan as requested.
 - (b) The AUASB Chair and AUASB Technical Director will monitor the development and release of IAASB board meeting agendas and other relevant communications and ensure these are adequately addressed in AUASB meetings.
 - (c) For each major IAASB project an AUASB Board member (Subject matter expert) and AUASB Technical Group member with the appropriate knowledge, expertise and capacity will be identified.
 - (d) The designated AUASB Technical Group member for each project will initially review, make available and provide comments on the relevant IAASB papers as soon as practically possible to the relevant AUASB member. Collectively the AUASB Board member and AUASB Technical Group member then determine which board papers should be included in the AUASB Board Meeting mail out based on the status of the project. The aim should be to provide sufficient information to AUASB members so that they are suitably prepared to discuss the key issues associated with each global project at that point in its development.
 - (e) As a minimum, for each major IAASB project an '**IAASB Project Summary Template**' (Refer Appendix 2) will be updated prior to and presented in the board papers at each AUASB meeting that precedes an IAASB meeting. The template provides a summary of the top 2 - 3 issues on the topic in the IAASB papers, a recommendation of the activities to best influence the direction of the IAASB project as a result of the AUASB's analysis (e.g. who to speak to, what is the desired outcome, etc), as well as a summary of the next steps or other actions required.
 - (f) This process is to help inform and direct discussion. It is still a requirement that all Board Members come to the Board meetings sufficiently prepared to ensure that they have identified their major concerns with International issues on the agenda, and be in a position to discuss their concerns.

APPENDIX 1 – AUASB International Strategy (updated April 2019)

- (g) A summary of the AUASB’s feedback on these major IAASB projects will be prepared by the AUASB Technical Director after each AUASB meeting and supplied to the AUASB Chair and other Australasian IAASB members.
- (h) Following each IAASB meeting, feedback will be provided to AUASB members by the AUASB Chair and Technical Director, as well as the notes/highlights from the IAASB meeting being included in the AUASB board papers.
- (i) The Australasian IAASB members have a standing invitation to attend AUASB meeting as official guests/observers and provide feedback comments on IAASB matters to the AUASB. Specifically the AUASB Chair will invite the Australasian IAASB members attend at least one AUASB meeting to provide an update on IAASB developments each year. Similar presentations from IFAC representatives will also be sought and encouraged where relevant.
- (j) Any significant IAASB matters which arise outside of the normal IAASB meeting process will be communicated to AUASB members on an as required basis by the AUASB Chair or AUASB Technical Director.

Other AUASB International Strategic Projects

Global regulatory matters

- Monitor the outcome of responses to the Monitoring Group Consultation Papers on Global auditing and assurance standard setting
- Regularly engage with ASIC on global regulatory matters (e.g. IFIAR, IOSCO) impacting on the auditing and assurance profession

IFAC/IAASB engagement

- Identify opportunities to have more Australian representatives who are advocates for the AUASB appointed to IFAC Committees and Working Groups
- Develop and foster direct relationships with IAASB members who are Taskforce leaders on specific topics Australia has a key interest in (e.g. EER, AUP)
- Identify opportunities for AUASB members or staff to contribute to IAASB Taskforces
- Assist IAASB staff in organising global and regional IAASB National Standard Setters Forums
- Share relevant Thought Leadership associated with AUASB Strategic Projects with the IAASB
- Identify opportunities to contribute to global and regional audit and assurance events and conferences (e.g. World Congress of Accountants)
- Consider opportunities for staff secondments or joint project work with the IAASB

Engagement with other National Standard Setters

- In conjunction with the NZAuASB development a network of regional (i.e. AsiaPac) National Audit and Assurance Standard Setters
- Identify opportunities to conduct bilateral and multilateral projects with other NSS’s (e.g. Auditor Reporting with NZ and Canada; EER with South Africa)
- Share relevant Thought Leadership associated with AUASB Strategic Projects with other National Standard Setters
- Consider opportunities for secondments or joint project work with other National Standard Setters

Other

- Build relationships and influence with other significant International stakeholder groups relevant to the Auditing and Assurance profession (e.g. IIRC, WBCSD, Climate Change TF)
- Support Quality Academic Research by Australian Universities which enhances Australia's reputation as a leader in Auditing and Assurance
- Have AUASB members and staff attend and present on Strategic Projects at relevant International conferences



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4**

Meeting Date: 16 April 2019

Subject: AUASB Response to IAASB’s Proposed Strategy for 2020-2023

Date Prepared: 2 April 2019

Action Required

For Information Purposes Only

Agenda Item Objectives

1. For the AUASB to consider and provide feedback for the AUASB submission on the IAASB’s Proposed Strategy for 2020-2023.

Background

1. The IAASB’s media release accompanying its Proposed Strategy for 2020-23 notes that “the evolving environment in which the IAASB operates demands a strategy that reflects, among others, changing technology; a dynamic small- and medium-sized entity landscape; and emerging reporting needs. In the Proposed Strategy for 2020-2023 and Work Plan for 2020-2021, the IAASB puts forth a way forward that it believes meets stakeholders’ evolving needs, and is in the public interest. Enhancing the IAASB’s processes, including using technology and appropriate resourcing, are included in the strategy and are crucial to success. These activities will maximise the impact of the IAASB’s activities, thereby enabling more timely responses to global trends and needs.”
2. The Proposed Strategy for 2020-23 highlights the need to focus on future developments as well as embed the IAASB’s commitment to completing significant projects currently underway, while balancing the needs of different stakeholders.
3. The IAASB has requested feedback on the consultation by 4 June 2019. This is before the next AUASB meeting on 12 & 13 June 2019.
4. The AUASB Technical Group (ATG) plan to engage with Stakeholders on the IAASB Strategy by:
 - (a) Requesting written feedback directly to the AUASB on the consultation paper; and
 - (b) Obtaining feedback from attendees at the upcoming Roundtables in Sydney, Melbourne, Perth and Brisbane being held in May 2019 (refer **Agenda Item 5**) to discuss the Quality Management Standards.

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

1. AUASB members are requested to provide feedback at this meeting on the IAASB’s 2020-23 Strategy Consultation Paper for the AUASB Submission due in late May 2019.
2. Following the discussions about the IAASB’s Strategy Consultation Paper at this meeting the ATG will post a news release on the AUASB Website seeking written feedback on the Consultation Paper, as also request feedback through a range of other outreach and engagement activities, such as the upcoming Roundtables for the Quality Management Standards as previously described in the ‘Background’ above.
3. To ensure adequate time for the ATG to compile the AUASB’s response to the IAASB’s 2020-23 Strategy Consultation Paper responses will be requested by 22 May 2019. This builds in adequate time for AUASB review of the submission before it is due to be sent to the IAASB on 4 June 2019.

Part B – NZAuASB

1. The NZAuASB are addressing this matter at their April meeting and will also prepare a submission for the IAASB on this matter. The AUASB and NZAuASB Technical Teams will coordinate their responses.

Part C – “Compelling Reasons” Assessment

1. N/A

Material Presented

Agenda Item 4.0	AUASB Board Meeting Summary Paper
Agenda Item 4.1	IAASB Strategy 2020-23 Consultation Paper

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider the IAASB’s Strategy Consultation Paper	Provide feedback on the IAASB’s Strategy Consultation Paper for the AUASB Submission	AUASB	16 April 2019	

**INTERNATIONAL AUDITING AND
ASSURANCE STANDARDS BOARD**

**PROPOSED
STRATEGY FOR
2020-2023 AND
WORK PLAN
FOR 2020-2021**

Business Strategy
Branding
Marketing
Analysis
Ideas
Success
Management

The International Auditing and Assurance Standards Board (IAASB) is a global independent standard-setting body that serves the public interest by setting high-quality international standards which are generally accepted worldwide.

The IAASB believes that a single set of robust international standards contributes to enhanced engagement quality and consistency of practice throughout the world, and strengthened public confidence in the global auditing and assurance profession. The IAASB sets its standards in the public interest with advice from the IAASB Consultative Advisory Group (CAG) and under the oversight of the Public Interest Oversight Board.

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

The IAASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

Copyright © February 2019 by IFAC. All rights reserved.

The 'International Auditing and Assurance Standards Board', 'International Standards on Auditing', 'International Standards on Assurance Engagements', 'International Standards on Review Engagements', 'International Standards on Related Services', 'International Standards on Quality Control', 'International Auditing Practice Notes', 'IAASB', 'ISA', 'ISAE', 'ISRE', 'ISRS', 'ISQC', 'IAPN', and IAASB logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

For copyright, trademark, and permissions information, please go to [permissions](#) or contact permissions@ifac.org.

ISBN: 978-1-60815-399-2

CONTENTS

Chairman’s Foreword	4
Request for Comments	5
Our Goal, Keys to Success and Stakeholder Value Proposition	6
Our Opportunities and Challenges – Environmental Drivers	7
Our Strategy and Focus	8–9
Our Strategic Actions	10–13
Our Work Plan for 2020–2021	14–16
Managing Delivery of Our Strategy and Work Plan	17
Appendix 1: The Development of this Consultation Paper	18
Appendix 2: Detailed Description of the Framework for Activities	19–20
Appendix 3: Description of Projects and Initiatives	21–25



CHAIRMAN'S FOREWORD

The IAASB's current strategy period 2015–2019 has seen hard work on key standards. These projects covered the important subjects of auditing accounting estimates (ISA 540 (Revised)),ⁱ and the core risk assessment standard (ISA 315 (Revised)).ⁱⁱ In our flagship project on Enhancing Audit Quality, we have been addressing the fundamentals of the audit, including a focus on a proactive quality management approach and the application of professional skepticism. Some of these projects have taken longer than we originally anticipated, but we are confident that the new and revised standards will contribute to higher-quality audits.

While we have made many changes and improvements, some stakeholders have commented on the volume of change, and have challenged us to do more to consider the length and complexity of the standards, and the ability to implement them in less complex situations. Furthermore, the world continues to change at an ever-increasing rate, with complexity becoming more prominent, in particular in relation to technology. Thus there is some urgency to deal with changes that are needed to keep the standards relevant and fit-for-purpose.

We have already identified two new initiatives that will progress in earnest in 2019: one dealing with audits of less complex entities and the other on audit evidence, including how changes in the use of technology affect the gathering and evaluation of audit evidence. We will begin with research for both of these projects to provide important input to help us determine, with an open mind, the most appropriate actions to address the challenges. In the meantime, we will continue to think more about what can be done in the short-term in relation to automated tools and techniques, in particular those that are becoming more prevalent in our environment as technologies continue to evolve.

We are also mindful that the delivery of standards is only the first step. We will be committing to a focus on the implementation of the changes, working with others as necessary to support effective and efficient adoption of the changes. Fundamental to our work, and underlying many of our communication efforts with our stakeholders, is a significant outreach program.

Moving into our new strategy period is daunting but exciting. There is the unknown of the changes that may come from the Monitoring Group review, but at the same time we recognize that there is opportunity to enhance our operations, and meet the needs of all of our stakeholders, including the Monitoring Group. This may include the development and implementation of a framework for our activities, and strengthening our collaboration with the International Ethics Standards Board for Accountants (IESBA) as it advances its work. We will look for ways to innovate our processes, delivery mechanisms, and communications with our stakeholders. Changing processes and structures will take time, but the IAASB is confident that these changes will help it operate more effectively in addressing the challenges it faces.

This Consultation Paper has been developed bearing all of this in mind, and the IAASB welcomes the views of all stakeholders in helping the IAASB adapt as it moves forward in the medium-term.



Prof. Arnold Schilder
IAASB Chairman



REQUEST FOR COMMENTS

This Consultation Paper was developed by the IAASB and informed by significant outreach efforts (see Appendix 1). Comments are welcome on whether:

1. You agree with *Our Goal, Keys to Success and Stakeholder Value Proposition* (see page 6), as well as the *Environmental Drivers* (see page 7).
2. You agree with *Our Strategy and Focus and Our Strategic Actions for 2020–2023* (see pages 8 to 13).
3. You agree with the IAASB's proposed *Framework for Activities*, and the possible nature of such activities (see pages 11 and 12), as set out in Appendix 2 (see pages 19 and 20).
4. You support the actions that have been identified in our detailed *Work Plan for 2020–2021* (see pages 15 and 16). If not, what other actions do you believe the IAASB should prioritize?
5. There are any other topics that should be considered by the IAASB when determining its 'information-gathering and research activities' in accordance with the new *Framework for Activities*. The IAASB has provided its views on tentative topics to be included in its 'information-gathering and research activities' (see page 10).

Comments are requested by **June 4, 2019**. In answering the questions, please explain why you agree or disagree with the IAASB's proposals.



OUR GOAL, KEYS TO SUCCESS AND STAKEHOLDER VALUE PROPOSITION

Our mandate is straightforward. However, standard-setting itself is not, especially in a global context. The following messages frame the broad lens of our strategic thinking.

OUR GOAL

- **Sustained public trust** in financial and other reporting, enhanced by high-quality audits, assurance and related services engagements, through delivery of **robust global standards** that are capable of **consistent and proper implementation**.

KEYS TO OUR SUCCESS

Achieving our strategy relating to our areas of focus:

- Through our commitment to **engage, listen and learn**, and to **lead and adapt** in our global standard setting responsibilities.
- By **fostering confidence** in the quality and relevance of our processes and standards, evidenced by the many jurisdictions (currently 128) using or committed to using our standards, including their oversight bodies (regulatory and inspection), and by user and practitioner communities.

OUR STAKEHOLDER VALUE PROPOSITION

- **Our Strategy:** Public-interest focused activities and future-oriented processes and work plans that are viewed as meaningful in contributing to the achievement of our goal.
- **Our Standards:** Globally relevant, scalable, forward-looking and operable; developed and implemented through activities that are timely and responsive to needs of our stakeholders.
- **Our Engagement with Our Stakeholders:** Timely and meaningful dialogue with a broad range of stakeholders, including with regulatory, user and practitioner communities.
- **Our Work Plans:** Focused on timely identification and appropriate resolution of issues that affect the global standards, while balancing speed and quality, capacity utilization, and coordination with others.
- **Our Methods:** Rigorous and inclusive, yet nimble, leveraging external resources where feasible. Continuously reviewed and improved to better facilitate delivery of work plans.
- **Our Collaboration Efforts:** Strengthened coordination and cooperation with, in particular, the IESBA and National Standard Setters (NSS).
- **Our Implementation Support on Major New and Revised Standards:** Supporting the development of timely and effective implementation of the IAASB's standards.

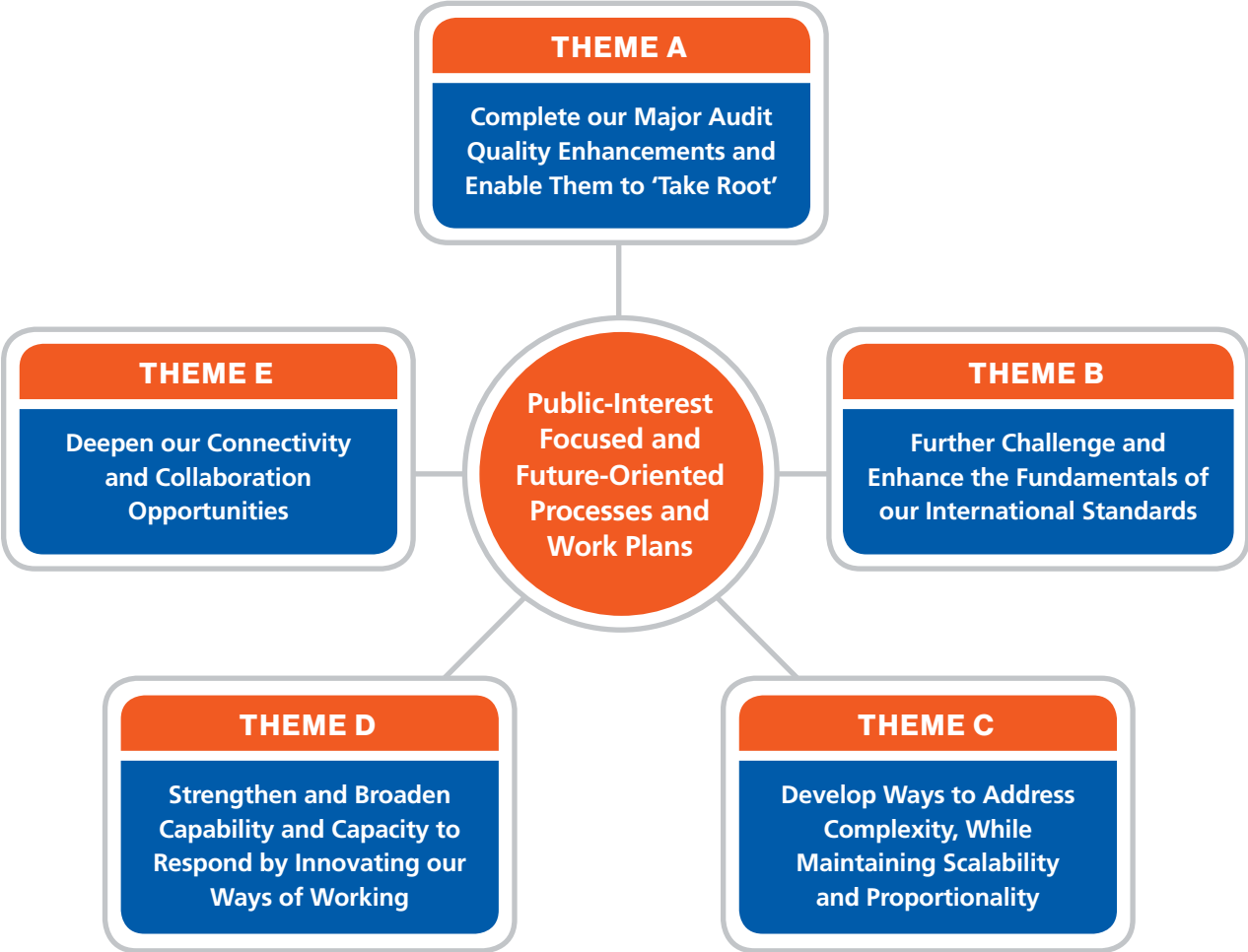
OUR OPPORTUNITIES AND CHALLENGES— ENVIRONMENTAL DRIVERS

Understanding our key opportunities and challenges, and balancing the needs of all of our stakeholders, is crucial to the continued use and ongoing adoption of our standards on a global basis. The most significant environmental drivers that have shaped our Strategy for 2020–2023 (Strategy) and Work Plan for 2020–2021 (Work Plan) include:

<p>Advancement in, and Use of, Technology</p>	<ul style="list-style-type: none"> • Businesses and economies are increasingly affected by rapidly changing and evolving technologies (e.g., artificial intelligence, robotics, blockchain, cloud computing, social networks and new digital payment platforms). • Developments in the use of advancing technologies are having a revolutionary effect on audit and assurance engagements, including how automated tools (including automated data analytics) are used to perform work on such engagements, and the way that engagement teams are structured and interact.
<p>Environment for Small- and Medium-Sized Entities</p>	<ul style="list-style-type: none"> • Increasing pressure regarding the scalability and proportionality of the standards, in particular the ISAs. • Changing audit thresholds are increasing the demand for other types of assurance or other services by small- and medium-sized entities (SMEs).
<p>Increasing Complexity and Its Implications</p>	<ul style="list-style-type: none"> • The business environment is becoming increasingly complex because of, for example, ongoing globalization and advancing technologies. As a result, financial reporting standards are responding and becoming more complex. • Accounting practice is evolving—as transactions become more complex and financial reporting changes, more estimates and management judgments are needed.
<p>Changing Reporting Needs of Stakeholders</p>	<ul style="list-style-type: none"> • Corporate reporting is evolving, with many users of corporate reports increasingly focusing on available non-financial information (e.g., sustainability reporting, reports addressing an entity's governance and internal control and other forms of extended external reporting) and seeking assurance thereon.
<p>Changing Expectations and Public Confidence in Audits</p>	<ul style="list-style-type: none"> • Decreasing confidence, and declining trust, in audits arising from continuing high levels of reported poor results of external inspections and recent high profile corporate failures in some jurisdictions. • Stakeholders' expectations are also changing about what the standards should require the auditor to do, for example, in relation to the detection and reporting of fraud, and the consideration of going concern issues.

OUR STRATEGY AND FOCUS

Adapting to the environment to meet stakeholders’ needs is key to our success. Our **Strategy and Focus** sets out how we intend to focus on timely identification and resolution of issues that affect our global standards in response to current and forward-looking challenges and risks to our standards. Delivery of our committed work is key to our success.



THEME A:**COMPLETE OUR MAJOR AUDIT QUALITY ENHANCEMENTS AND ENABLE THEM TO 'TAKE ROOT'**

Prioritizing the completion of the key ISA and other projects underway at the start of 2020 is crucial, as is undertaking activities to focus on the effective and efficient implementation of the changes made to these and other core ISAs during the 2015–2019 strategy period.

THEME B:**FURTHER CHALLENGE AND ENHANCE THE FUNDAMENTALS OF OUR INTERNATIONAL STANDARDS**

Core to our activities is revising and developing our standards on a timely basis to respond to the continuously changing environment (including the increasingly evolving technologies and automated tools being used by entities and auditors), and the changing needs of our stakeholders. This theme is vital to the continued use and ongoing adoption of our standards on a global basis.

THEME C:**DEVELOP WAYS TO ADDRESS COMPLEXITY, WHILE MAINTAINING SCALABILITY AND PROPORTIONALITY**

Addressing the robustness of auditing standards in an increasingly complex business environment and the need to maintain their scalability and proportionality is a key focus area for us to make sure that our standards are fit-for-purpose for audits of all entities, regardless of their complexity.

THEME D:**STRENGTHEN AND BROADEN OUR CAPABILITY AND CAPACITY TO RESPOND BY INNOVATING OUR WAYS OF WORKING**

Enhancing our processes is critical to our success, including using technology and appropriate resources to maximize the impact of our activities, thereby enabling us to respond on a more timely basis to issues and challenges.

THEME E:**DEEPEN OUR CONNECTIVITY AND COLLABORATION OPPORTUNITIES**

Leveraging external resources and maintaining and building relationships with stakeholders to achieve globally relevant, progressive and operable standards.

OUR STRATEGIC ACTIONS

THEME A:

COMPLETE OUR MAJOR AUDIT QUALITY ENHANCEMENTS AND ENABLE THEM TO ‘TAKE ROOT’

Strategic Actions – In the strategy period commencing in 2020, we will:

- Progress and complete, as a top priority, our projects on **Quality Management**ⁱⁱⁱ and **Group Audits**.^{iv} Monitor the need for, and develop as necessary, **implementation support** for our projects on **Quality Management** and **Group Audits**.
- Continue implementation support for **ISA 540 (Revised)**^v and **ISA 315 (Revised)**^{1 vi} as needed.
- Complete our **Auditor Reporting**^{vii} and **ISA 540 (Revised) Post-Implementation Reviews**, report findings and determine and carry out necessary actions arising from these reviews.

THEME B:

FURTHER CHALLENGE AND ENHANCE THE FUNDAMENTALS OF OUR INTERNATIONAL STANDARDS

Strategic Actions – We will:

- Complete the guidance for our **Extended External Reporting (EER)** initiative.^{vii}
- Identify and prioritize future actions through our research activities based on the assessment of:
 - The need for changes in the standards to address issues and challenges related to **audit evidence**, in particular in relation to evolving technologies and automated tools that are being used, as well as thinking more about how professional skepticism can be further enhanced within the ISAs.^{2 ix}
 - Further implications on our standards of evolving **technologies** used by entities and auditors.
 - The changing **corporate reporting** environment.
 - **Ongoing work of the IESBA** that may require changes within our standards.
 - Other possible topics that have been on the IAASB’s radar, including:
 - Expectations of the role of auditors in connection with **fraud and non-compliance with laws and regulations** (for example, anti-money laundering) in financial statement audits.
 - Expectations of the role of auditors in connection with **going concern** in financial statement audits.
 - Consistency and rigor of audits in **key performance areas**, such as applying materiality, and responding to risks of material misstatement.
- Continue our focus on **professional skepticism** in our ongoing ISA projects and consider what more can be done in this area.

¹ On the basis that ISA 315 (Revised) is finalized in June 2019 as targeted.

² The work of the Professional Skepticism Working Group and the Data Analytics Working Group may be amalgamated in the Audit Evidence project.

THEME C:

DEVELOP WAYS TO ADDRESS COMPLEXITY, WHILE MAINTAINING SCALABILITY AND PROPORTIONALITY'

Strategic Actions – We will:

- As a top priority, complete our information-gathering and research activities relating to **Audits of Less Complex Entities**,^x which will inform the Board's future deliberations about the most appropriate actions to address the identified issues and challenges.
- Commit to continue considering how to develop principle-based standards and guidance that is clearly articulated, and able to be applied to a wide variety of circumstances.
- Enhance the accessibility and ease of use of our standards, for example by digitizing the standards to enhance navigation and search functions.

In undertaking work in this strategic theme, the IAASB remains open-minded about the effort needed to achieve an outcome that is supportive of the needs of many of our stakeholders.

THEME D:

STRENGTHEN AND BROADEN OUR CAPABILITY AND CAPACITY TO RESPOND BY INNOVATING OUR WAYS OF WORKING'

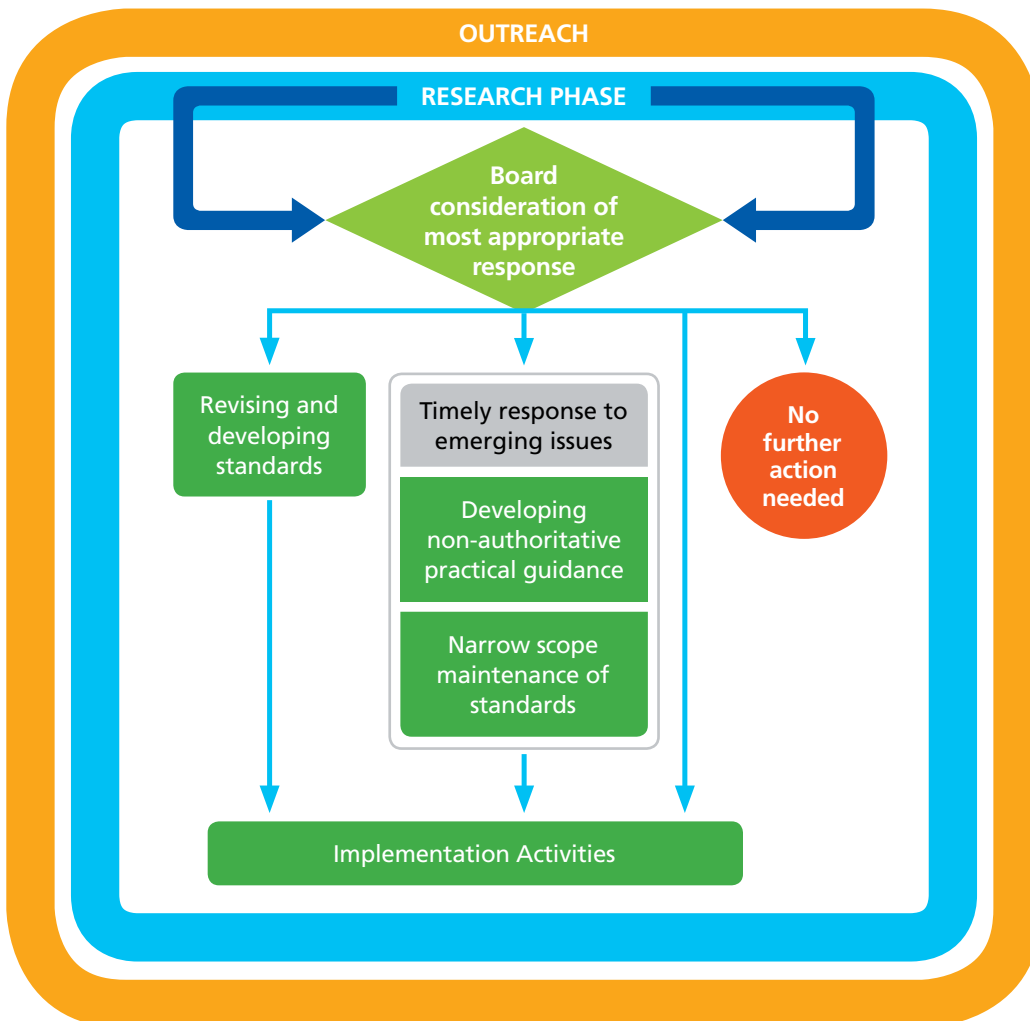
Strategic Actions – We will develop and implement a **Framework for Activities** (the "Framework") so that we do "the right work at the right time." As part of this theme, we will also further consider our capacity and whether further resources are needed to deliver on our committed actions effectively. Importantly, in implementing the Framework, leveraging technology for undertaking our work will be at the forefront of our minds. Key features of this Framework include:

- Robust **information-gathering and research activities** as a cornerstone to future work streams, including:
 - Fact-finding activities to understand emerging issues and developments, which may also include consideration of findings from academic research, post-implementation reviews and other work already undertaken by NSS.
 - Defining the problem / issue / challenge we are addressing (including further understanding the causal factors).
 - An assessment of available options, including the impact of possible actions.
 - Scoping future projects.

Appendix 2 more fully describes the proposed information-gathering and research activities.

- **Mechanisms for addressing issues and challenges on a more timely basis**, including:
 - Developing non-authoritative practical guidance.
 - Developing a process for ‘limited-scope’ revisions to standards (with appropriate due process to support more timely changes).
 - Considering whether to implement an ‘interpretations’ mechanism to help communicate Board intentions when originally setting the standards.

The diagram below captures our more formalized and structured approach to our activities (each of these activities is further described in Appendix 2). However, there are still many aspects of the Framework that will need to be further developed if this approach is supported by our stakeholders. At this stage, we also remain mindful that the Framework will need to remain adaptable so as to accommodate any further changes arising from the Monitoring Group review.



THEME E:

DEEPEN OUR CONNECTIVITY AND COLLABORATION OPPORTUNITIES

Strategic Actions – We will:

- Continue to **interact with the CAG**. The IAASB’s CAG is a fundamental part of the IAASB’s engagement with its stakeholders and is a key element of the IAASB’s due process. The CAG is comprised of over 30 member organizations representing global regulators, business and international organizations, accountancy regional bodies and users and preparers of financial statements.
- Further enhance our **coordination efforts with the IESBA**.
- Explore new ways to expand our **collaboration with NSS** to optimize our activities.
- Further enhance working relationships with **regulators, firms and others** (as appropriate) to help understand their concerns, and further explore causal factors.
- Further explore whether the **IAASB can collaborate, as appropriate, with the International Federation of Accountants (IFAC)** and its various committees, in relation to implementation support activities.
- Continue to establish **subject-specific Advisory Panels** as needed to enable Task Forces and Working Groups to receive timely input on developing proposals from a broad range of relevant stakeholders.
- Continue our two-way liaison with the **International Accounting Standards Board (IASB)**, providing input on auditability and verifiability of new and revised International Financial Reporting Standards, thereby contributing to the quality of financial reporting.^{xi}
- Continue communication with our stakeholders through timely and meaningful **outreach activities** focused on:
 - Promoting **adoption and effective implementation** of the ISAs and our other standards, in particular for audits of less complex entities, emerging markets and the public sector.
 - Understanding **issues that affect our standards**, including financial reporting issues, implementation challenges, and opportunities for collaboration to enhance audit and other engagement quality.

OUR WORK PLAN FOR 2020–2021

Our Work Plan is focused on the ongoing, timely identification of new issues that may affect our global standards, and timely analysis and resolution of these identified issues. In prioritizing actions to address the identified issues that are expected to have a meaningful effect on our goal over our strategy period, this Work Plan seeks to:

- Provide a reasonable balance between the need for speed and quality of response;
- Prioritize the use of available resources;
- Depict the realistic prospects of identifying sources of additional resources; and
- Illustrate the need for coordination with others.

KEY GUIDING CONSIDERATIONS

Given the competing demands for IAASB actions, we will consider the following in determining the most appropriate action, and how such action should be prioritized.

-
- **The significance of the benefits to the public interest**, including the extent to which the action will further:
 - Enhance the quality and benefits of audit, assurance and related services globally;
 - Enhance engagements that are currently conducted on a widespread basis internationally or are expected to be in the near future; or
 - Facilitate high-quality financial and corporate reporting and enhance public confidence therein.
-
- **The time needed** to undertake effective action in light of emerging practice, market demands and developing a response that is capable of international application.
-
- **The degree of urgency** for addressing the particular matter, including the potential implications for the public interest if action is not taken or is delayed.
-
- **The degree to which an identified issue would be addressed effectively** through change to the standards or through other appropriate action.
-
- **The pervasiveness of the matter and the global applicability** of the potential actions in relation to entities of different sizes and complexity, different industries, and across jurisdictions.
-

OUR DETAILED WORK PLAN FOR 2020–2021

Our detailed Work Plan is presented below. This proposed Work Plan is our best estimate, at the time of publication of this Work Plan, for how we will progress the various projects and is subject to changes, especially given the nature of the issues and the complexities of the projects. During 2020–2021, we will be transitioning to more structured processes and activities around how we undertake our work (see Theme D above and Appendix 2). In order to effectively transition, time will need to be spent on how best to realign our activities.

Appendix 3 sets out a description of each of the projects carrying over from the IAASB’s Work Plan for 2019 to provide context for the IAASB’s Work Plan for 2020–2021.

Cells with an ‘X’ indicate that IAASB plenary meeting time is scheduled for a project, while the green highlighted cells indicate Working Group, Task Force or Staff expected activity on a project. Cells with an ‘E’ indicate the targeted publication of an Exposure Draft and cells with a ‘F’ indicate the targeted finalization of a project.

Project	2019				2020				2021			
	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
Revising and Developing Standards												
ISA 315 (Revised)	X	F										
ISQM 1 ^{xii}			X	X	F							
ISQM 2 ^{xiii}			X	X	F							
ISA 220 (Revised) ^{xiv}			X	X	F							
ISA 600 (Revised) ^{xv}	X	X	X	E			X	X	F			
ISRS 4400 (Revised) ^{xvi}		X	X	F								
Developing Non-Authoritative Guidance												
Extended External Reporting	X	X	X	E		X	F					

³ The detailed Work plan also includes the intended plan for progression of projects in 2019 to provide context for 2020 and 2021

Project	2019				2020				2021			
	March	June	Sept	Dec	March	June	Sept	Dec	March	June	Sept	Dec
Implementation Activities⁴												
Auditor Reporting ⁵												
ISA 540 (Revised)												
ISA 315 (Revised)												
Revised Quality Management Standards												
Research Phase⁶												
Research (will include the activities of the Innovation Working Group) ⁷		X				X		X		X		X
Audits of Less Complex Entities	X	X	X	X	X ⁸							
Audit Evidence	X	X	X	X	X ⁸							
Professional skepticism	X	X	X	X	X	X	X	X	X	X	X	X
Other Ongoing Activities												
Coordination with the IESBA			X				X				X	
Liaison activities with the IASB	X				X				X			
Strategy and Work Plan			X	F								

⁴ Due to the uncertain nature of the implementation activities at this time, specific Board discussions have not been presented. However, it is likely during the period of activity there will be Board plenary discussions, and this will be determined as the implementation support activities are developed for each project.

⁵ The findings from the Auditor Reporting Post Implementation Review, which will commence in 2019, may result in further work related to Auditor Reporting in 2020 and 2021.

⁶ The cornerstone of our new Framework will be robust information-gathering and other related research activities to further understand causal factors of issues and challenges and properly scope projects. Research activities will involve actions related to a number of topics that are currently in that phase (e.g., information gathering, scoping, post-implementation review etc.). However, these have not been separated out at this time as they have not yet been determined, but it is likely that there will be ongoing discussions by the Board of one or more of these topics at each Board meeting. Once a specific project is identified it will be separated on this forward agenda. The research phase will include the activities of our Innovation Working Group. For more information about the Innovation Working Group see the project page: <http://www.iaasb.org/projects/innovation-working-group>.

⁷ Time within Research Activities stream includes discussions by the IAASB regarding realignment of its activities, as necessary, into the structured streams set out in the *Framework for Activities*.

⁸ The outcome of information gathering and research activities may continue into 2020 (in which case there will be more Board discussions in 2020–2021) or may result in standard-setting or other activities (see footnote 6). If standard-setting is undertaken, the projection of Board plenary discussions and timing of exposure drafts and finalization will be presented in this Work Plan at the time when the project proposal is approved.

MANAGING DELIVERY OF THE STRATEGY AND WORK PLAN

Accountability to our stakeholders about how our Strategy and Work Plan are being progressed is key to building trust and inspiring confidence. Communication and transparency about our actions is therefore an essential part of the IAASB's activities in the 2020–2023 strategy period. We manage the delivery of our Strategy and Work Plan under the constant scrutiny by ourselves and our stakeholders in relation to:

- Meeting targeted outcomes set out in our Work Plan.
- Expanding global adoption of our standards, including adoption of new and revised standards by jurisdictions who are already using our standards.
- Facilitating the implementation of new and revised standards.
- Building stronger relationships with key stakeholders.

APPENDIX 1

THE DEVELOPMENT OF THIS CONSULTATION PAPER

The development of this Consultation Paper was informed by:

- A Stakeholder Survey. We received 76 responses from a wide range of stakeholders including 12 responses from global organizations and one from a Monitoring Group member (the International Organization of Securities Commissions). A [summary of the survey responses](#) was discussed at our September 2018 meeting;
- Ongoing global outreach by our members;
- Targeted outreach with stakeholders we ordinarily do not hear from. This included outreach with individuals representing investor groups, groups representing those charged with governance, preparers of financial statements, smaller firms, regulators and academics; and
- Discussions with the CAG.



APPENDIX 2

DETAILED DESCRIPTION OF THE FRAMEWORK FOR ACTIVITIES

<p>Research Phase</p>	<p>Structured Board activities and formalized projects and processes for:</p> <ul style="list-style-type: none"> • Identifying and further understanding causal factors of issues and challenges within existing standards. • Information-gathering to understand emerging issues and developments to help determine a global need for action. • When applicable, post-implementation reviews to identify whether the standard is achieving its objective and, if not, whether further amendments should be considered. Post-implementation reviews may also lead to a new research initiative, or may result in a maintenance or implementation work stream. <p>Output from these activities is to assist the Board in deciding whether or not to add a work stream to its Work Plan, or to provide a more evidence-informed approach to revising or developing standards.</p>
<p>Revising and Developing Standards</p>	<p>A new standard-setting project is not started until the research phase has gathered sufficient information that a revision of a standard, or a new standard, is required, which is generally when:</p> <ul style="list-style-type: none"> • The benefits to the public interest will enhance public trust in the project being undertaken; • The issues are pervasive and affect the global profession; • It is in the public interest to undertake the work, and not delay it; and • It is feasible to undertake the work within a realistic timeframe. <p>In developing changes, or a new standard, the Board follows due process to develop proposals for public consultation, analyzes the feedback, and refines the proposals to issue the final revised, or new, standard.</p>
<p>Developing Non-Authoritative Guidance</p>	<p>The development of non-authoritative guidance will start when the research phase indicates that non-authoritative guidance is required, which is generally when guidance to support application of the IAASB's International Standards is needed and is considered to be an appropriate alternative to authoritative guidance. This may be the case when:</p> <ul style="list-style-type: none"> • The marketplace is still developing and detailed standards could risk stifling innovation and experimentation. • The issues relate to a specific industry (e.g., banking or insurance industry) or a specific topic (e.g., financial instruments).

<p>Narrow Scope Maintenance of Standards</p>	<p>Appropriate Board actions to maintain the standards may include developing processes for:</p> <ul style="list-style-type: none"> • Narrow-scope amendments to a standard, following due process as appropriate, if that is determined to be the most appropriate action to address an urgent issue (rather than revising the entire standard); and • Supporting the application of the approved standards by providing interpretations to a specific question about a standard (i.e., a change to the standard itself is deemed unnecessary).
<p>Implementation and Application of Standards</p>	<p>Board activities to support the implementation of new and revised standards by developing supporting materials, which may include:</p> <ul style="list-style-type: none"> • Webinars; • Train-the-trainer events; • Implementation working groups to develop supporting materials as necessary (such as frequently asked questions, articles, etc.); • Targeted outreach; and • Working or coordinating with others, such as NSS or IFAC, in developing support materials as needed.
<p>Outreach</p>	<p>All of the IAASB’s activities benefit immensely from the input of the IAASB’s wide range of stakeholders. The IAASB’s outreach activities will include continuing with its rigorous program of international outreach, including regular interactions with key stakeholder groups, such as its project advisory panels, as well as targeted outreach that may be project- or topic-specific.</p>

APPENDIX 3

DESCRIPTION OF PROJECTS AND INITIATIVES

Projects Underway and IAASB Activities in 2017 to 2019

1. In 2017 and 2018, the IAASB continued with revisions to a number of its key and foundational ISAs, as well as its quality management projects. The objective of these revisions is to address issues and challenges identified by the [IAASB's ISA Implementation Monitoring project](#) and the Invitation to Comment, *Enhancing Audit Quality in the Public Interest, A Focus on Professional Skepticism, Quality Control and Group Audits*, as well as feedback from its stakeholders, through meetings, inspection findings, outreach and roundtables.
2. In 2019, the IAASB will continue to progress finalizing its changes to ISA 315 (Revised) and developing guidance relating to EER, and will discuss the responses to the exposure draft relating to changes to Agreed-Upon Procedures engagements. Exposure Drafts of the Board's proposals for ISQM 1, ISQM 2 and ISA 220 (Revised) will be published in February 2019. The IAASB will also progress its work in relation to audits of less complex entities, and plans to publish a Discussion Paper seeking stakeholder views in the second quarter of 2019.
3. The approval of ISA 540 (Revised) in June 2018 signified the first revised standard to be completed as part of the IAASB's work program 'Addressing the Fundamental Elements of an Audit' and the IAASB's efforts in 2019 are now focused on implementation support activities.
4. In 2019, the IAASB will also further consider how it can enhance its working relationships with the IFAC, NSS, regulators, firms and others (as appropriate) to help advance its implementation activities for ISA 540 (Revised), as well as for those projects targeted to be completed in the next 18 months.
5. The IAASB will also start to plan for its future strategy period as proposed in this Consultation Paper. Time has been planned for discussions by both the Steering Committee of the IAASB, as well as the Board itself, to start to make the change to more focused activities within structured streams, including the development of related processes or criteria, as appropriate.
6. More detail about the projects, including proposed timing, for the IAASB activities in 2019 can be found in the IAASB's [Work Plan for 2019](#).

Description of Projects for 2020–2021

Quality Management projects (ISQM 1, ISQM 2, ISA 220 (Revised))

This project addresses revisions to ISQC 1 and ISA 220, and the development of a new standard for engagement quality reviews, ISQM 2. The purpose of the revisions to ISQC 1 is to improve firms’ management of quality for all engagements performed under the IAASB’s International Standards. This will be achieved through the introduction of a risk-based approach to the management of quality and strengthening various aspects of the standard, including governance and leadership, resources, information and communication, monitoring and remediation and networks. The new risk-based approach also aims to improve the scalability of the standard. ISQM 2 aims to strengthen and clarify various aspects of engagement quality reviews, including the engagements to be subject to such reviews, the eligibility criteria for engagement quality reviewers and the performance and documentation of the reviews. The revisions to ISA 220 include strengthening aspects of quality management at the individual engagement level.

The project pages for ISQM 1, ISQM 2 and ISA 220 (Revised), containing more information about the project, can be found [here](#).

Targeted Milestones

The IAASB targets to finalize the new and revised standards in March 2020. The Board will also consider the extent of the implementation activities necessary. (See box on Quality Management projects implementation support below).

Group Audits – Revision of ISA 600

This project addresses revisions to ISA 600 to strengthen the auditor’s approach to a group audit and clarify the role of ISA 600 in relation to other ISAs, such as ISQM 1, ISA 220 (Revised), ISA 315 (Revised) and ISA 330, *The Auditor’s Responses to Assessed Risks*.

As part of this project the IAASB issued a [Staff Audit Practice Alert: Responsibilities of the Engagement Partner in Circumstances when the Engagement Partner is not Located Where the Majority of the Audit Work is Performed](#) in August 2015 and a [Project Update](#) in October 2017.

The project page, containing more information about the project, can be found [here](#).

Targeted Milestones

The IAASB commenced this project in 2014 but decided to focus on some of the IAASB’s other projects given that some of the foundational issues to be dealt with in the revisions to ISA 600 need to be first considered and addressed in other projects, such as ISQM 1, ISQM 2, ISA 220 (Revised), and ISA 315 (Revised). As these projects are nearing completion, the IAASB will intensify and progress its work on revising ISA 600 and will work towards the following milestones:

- Exposure Draft of revised ISA 600 – Targeted December 2019
- Final revised ISA 600 – Targeted March 2021

Extended External Reporting

The IAASB will continue to develop non-authoritative guidance in applying International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, to EER and continue to provide thought leadership on assurance issues in relation to EER.

Phase 2 of the project is targeted to run from early 2019 until late 2020, subject to the availability and allocation of the necessary resources. This phase is due to cover issues including determining the scope of an EER assurance engagement, exercising professional skepticism and professional judgment, obtaining the competence necessary to perform the engagement, and communicating effectively in the assurance report.

The project page, containing more information about the project can be found [here](#).

Targeted Milestones

Following the public consultation on the draft guidance developed during phase 1 and phase 2 in early and late 2019 respectively, the IAASB is expected to consider the responses received and update the guidance before seeking approval to publish it in final form in September 2020.

Audit Evidence

The scope of a project on Audit Evidence will need to be further considered by the IAASB, as there may be many relevant areas in the ISAs affected by a project on this topic. Topics likely to be considered for inclusion in this project include:

- A revision of ISA 500, *Audit Evidence*;
- Aspects of automated tools and techniques (including data analytics); and
- Professional skepticism.

Further consideration may also be given to whether, and how, it should encompass the need for possible revisions to ISA 230, *Audit Documentation* (including the impact of further consideration of professional skepticism), ISA 520, *Analytical Procedures*, ISA 530, *Audit Sampling*, ISA 320, *Materiality in Planning and Performing an Audit*, and other changes that may be warranted given the advances in technology.

Targeted Milestones

Initial information gathering and research activities relating to scoping the project, including discussions with the US Auditing Standards Board about current developments in its project on this topic, will commence in the first half of 2019. The discussions with the IAASB on the appropriate scoping of the project will help determine what would be included in a project proposal. More significant standard-setting activities are likely to commence in 2020.

Audit of Less Complex Entities

The objective of this project is to address the perceived challenges and issues relating to an audit of a less complex entity using the ISAs, and explore possible actions for IAASB consideration. The IAASB will initially develop a Discussion Paper for public consultation, and the feedback from the Discussion Paper and related outreach activities will help develop recommendations for IAASB consideration about the way forward.

The project page, containing more information about the project, can be found [here](#).

Targeted Milestones

The IAASB will publish a Discussion Paper in the second quarter of 2019 regarding perceived challenges and issues in relation to audits of less complex entities. A second Small- and Medium-sized Practices (SMP)/ SME Conference will be held in May 2019, in addition to other targeted outreach activities. The feedback from the Discussion Paper and outreach will help the IAASB determine the way forward for its work on audits of less complex entities.

Post-Implementation Review on Auditor Reporting Standards

The post-implementation review of the Auditor Reporting standards will commence in 2019. As part of the post-implementation review, we will monitor developments in auditor reporting around the world and will also focus on practical implementation issues and other issues that are causing the standards to not achieve their intended purpose. In addition to this, the post-implementation review will explore whether there are ways to improve the quality of the communication of key audit matters and other matters that could improve transparency about the audit that were not included in the new and revised Auditor Reporting Standards.

The project page, containing more information about this initiative can be found [here](#).

Targeted Milestones

Depending on the findings of the post-implementation review, the IAASB will perform further work as necessary in 2020 and 2021.

ISA 540 (Revised) Implementation Support

As ISA 540 (Revised) is implemented globally, the IAASB will continue to undertake activities for the effective implementation of this standard.

Towards the end of 2021 the IAASB will also develop an initial outline of the planned post-implementation review, in particular the scope and purpose of the review, as well as the expected timing.

The project page, containing more information about the project, can be found [here](#).

ISA 315 (Revised) Implementation Support

The IAASB will develop material to support awareness, understanding and effective implementation of ISA 315 (Revised). This material may include an ‘at a glance’ document, overview slide presentation, frequently asked questions and webinars. It may also include flow charts that show the overall risk assessment, the understanding of internal control and the understanding of the IT environment.

Quality Management projects (ISQM 1, ISQM 2, ISA 220 (Revised)) Implementation Support

The IAASB plans to develop material to support awareness, understanding and the effective implementation of the quality management standards. This material may include practical examples to demonstrate how the requirements of ISQM 1 may be implemented based on the nature and circumstances of the firm and its engagements. The IAASB is also exploring the development of an ‘at a glance’ document, frequently asked questions, a slide presentation, and webinars.

- i ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*
- ii ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- iii For more information about the Quality Management projects see the following project pages:
 - Proposed ISQM 1: <http://www.iaasb.org/projects/quality-management-firm-level-isqm-1>
 - Proposed ISQM 2: <http://www.iaasb.org/projects/engagement-quality-reviews-isqm-2>
 - Proposed ISA 220 (Revised): <http://www.iaasb.org/projects/quality-management-engagement-level-isa-220>
- iv For more information about the Group Audits project see the project page: <http://www.iaasb.org/projects/group-audits-isa-600>
- v For more information about the implementation of ISA 540 (Revised) see the project page: <http://www.iaasb.org/projects/isa-540-revised-implementation-working-group>
- vi For more information about the project on ISA 315 (Revised) see the project page: <http://www.iaasb.org/projects/isa-315-revised>
- vii For more information about the Auditor Reporting Post-Implementation Review see the project page: <http://www.iaasb.org/projects/auditor-reporting-implementation-working-group>
- viii For more information about the EER project see the project page: <http://www.iaasb.org/projects/emerging-forms-external-reporting-eer-assurance>
- ix For more information about the Data Analytics project see the project page: <http://www.iaasb.org/projects/data-analytics>. For more information about the Professional Skepticism project see the project page: <http://www.iaasb.org/projects/professional-skepticism>.
- x For more information about the Audits of Less Complex Entities project see the project page: <http://www.iaasb.org/projects/audits-less-complex-entities>
- xi For more information about the IAASB’s liaison with the IASB see the project page: <http://www.iaasb.org/projects/iaasb-iasb-liaison>
- xii Proposed International Standard on Quality Management (ISQM) (previously International Standard on Quality Control (ISQC)) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- xiii Proposed ISQM 2, *Engagement Quality Reviews*
- xiv ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*
- xv ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*
- xvi International Standard on Related Services (ISRS) 4400, *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*

529 Fifth Avenue, New York, NY 10017
T +1 (212) 286-9344 F +1 (212) 286-9570
www.iaasb.org

IAASB

**International Auditing
and Assurance
Standards Board**



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **5.1.0**

Meeting Date: 16 April 2019

Subject: Detailed Outreach Plan

Date Prepared: 9 April 2019

Prepared By: Tim Austin / Anthony Karakai (AUASB-AASB Communications Manager)

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objectives of this agenda item are to:
 - (a) Provide the AUASB with an overview of the detailed outreach plan prepared by the AUASB Technical Group (ATG) for the Quality Management Standards, IAASB Strategy and LCE Discussion Paper projects; and
 - (b) Request AUASB Members to respond to questions 1-2 below.

Questions

1. Has the ATG identified the relevant stakeholders for each of the Projects?
2. Do AUASB Members have any comments on the ATG's planned methods to engage stakeholders?

Background

2. At the 6 March 2019 AUASB Meeting, as part of Agenda Item 4.1.1, AUASB Members were presented with a draft outreach plan for the Quality Management Standards. The initial plan has been revised based on the change in exposure process for the Quality Management Standards and has been expanded to include outreach on the IAASB's 2020-2023 Strategy and the IAASB's Less Complex Entities Discussion Paper.

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.

Planned outreach activities

3. This detailed outreach plan covers outreach activities throughout April, May and June for the following projects:
 - (a) Quality Management Standards;
 - (b) IAASB 2020-23 Strategy; and
 - (c) IAASB Less Complex Entities Discussion Paper.
4. For each of the projects this plan breaks down:
 - (a) What are the objectives of the outreach for that particular project;
 - (b) Who are our targeted stakeholders for each activity; and
 - (c) How will we gather feedback?
5. The final dates for outreach activities will be communicated to AUASB Members at a later date. AUASB Members, where appropriate, may be asked to assist with outreach activities and are welcome to attend if they have capacity.

Quality Management Standards

Overview

6. In March 2019, the AUASB issued for exposure in Australia the IAASB's proposed Quality Management suite of standards, ISQM 1, ISQM 2 and ISA 220. The format of exposure in Australia was to wrap-around the international ED with an Australian Explanatory Memorandum. The Australian wrap-around included a number of Australian specific questions to reflect significant matters identified by the AUASB during their review of the IAASB EDs.

Objectives of the outreach?

7. The objective of the outreach is to gather feedback in Australia to inform:
 - (a) The AUASB and ATG when preparing the formal submissions to the IAASB on the relevant standards; and
 - (b) The AUASB on future discussions regarding possible compelling reasons to amend the standard in Australia once the final standard has been issued by the IAASB.

Who are our targeted stakeholders?

8. The key stakeholders are:
 - (a) Assurance practitioners (including specialist Quality and Risk personnel from large firms for ISQM 1)
 - (b) Professional bodies;
 - (c) Regulators (ASIC and ACNC);
 - (d) ACAG (for public-sector feedback).

How will we reach them?

9. The outreach activities in relation to the Quality Management Standards are:
- (a) Roundtables
 - (i) Melbourne
 - (ii) Sydney
 - (iii) Brisbane
 - (iv) Perth.
 - (b) Webinars:
 - (i) Joint Webinar with NZ (completed 1 April 2019)
 - (ii) AUASB Webinar (hosted externally) summarising feedback from roundtables and highlighting the key issues to consider further.
 - (c) Targeted outreach:
 - (i) Large National Networks Group – Workshop to be held at an LNN session on the implications of the changes proposed in ISQM 1.
 - (ii) Big 6 / APPC Members – To gather feedback from firms which generally only submit at a Global/Network level to the IAASB. Gather responses to Australian questions.
 - (iii) Professional bodies – To gather any feedback they have received from their members which have not be addressed by the other outreach activities.
 - (iv) APESB – To discuss the implications of the new QM standards and the interaction between APES and AUASB frameworks. This relates to implementation of the standard in Australia, so can be deferred until closer to the expected finalisation of the standard.
 - (v) ACAG – To gather public-sector feedback on the changes in the QM standards and the possible impact on Auditor-Generals in Australia.

IAASB Strategy 2020-23 and Work Plan 2020-21

Overview

10. In February 2019, the IAASB issued its Proposed Strategy for 2020-2023 and Work Plan for 2020-2021. The document outlines the projects the IAASB plans to undertake or complete in the proposed timeframe. The IAASB believes that the proposed strategy best balances stakeholder's needs and the public interest. Feedback is requested on the strategy by 4 June 2019.

Objectives of the outreach?

11. The objective of the outreach is to gather feedback in Australia to inform:
- (a) The AUASB and ATG when preparing the formal submissions to the IAASB on the proposed IAASB Strategy.

Who are our targeted stakeholders?

12. The key stakeholders are:
 - (a) Assurance practitioners; and
 - (b) Professional bodies.

How will we reach them?

13. The outreach activities in relation to the IAASB Strategy are:
 - (a) Roundtables:
 - (i) Melbourne
 - (ii) Sydney
 - (iii) Brisbane
 - (iv) Perth.
 - (b) Targeted outreach.
 - (i) Professional bodies – To gather any feedback they have received from their members which have not be addressed by the other outreach activities.
 - (ii) Big 6 / APPC Members – To gather feedback from firms which generally only submit at a Global/Network level to the IAASB.

IAASB Less Complex Entities Discussion Paper

Overview

14. At the March 2019 IAASB Meeting, IAASB Members were presented with a draft discussion paper Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges. The Discussion Paper outlines the background to the project, the issues and challenges and possible actions to be explored. Stakeholder feedback is sought through a number of questions.
15. Whilst the Discussion Paper was not issued by the IAASB at the March 2019 meeting, it is expected to be released in mid-April 2019 with a 120 day comment period.

Objectives of the outreach?

16. The objective of the outreach is to gather feedback in Australia to inform:
 - (a) The AUASB and ATG when preparing the formal submissions to the IAASB on the Discussion Paper; and
 - (b) To support the AUASB Chair's role as the IAASB Task Force Leader on the Less Complex Entities project.

Who are our targeted stakeholders?

17. The key stakeholders are:
 - (a) Assurance practitioners, in particular practitioners who undertake audits for small and medium entities;

- (b) Professional bodies;
- (c) Relevant regulators (ACNC and ASIC).

How will we reach them?

18. The outreach activities in relation to the IAASB Strategy are:

- (a) Roundtables:
 - (i) Melbourne
 - (ii) Sydney
 - (iii) Brisbane
 - (iv) Perth.
- (b) Targeted outreach.
 - (i) Professional bodies – To gather any feedback they have received from their members which have not be addressed by the other outreach activities.
 - (ii) Large National Networks Group – Gather feedback as they generally work in the Small and Medium entity space.
- (c) Additional outreach activities targeted at small and medium practices will be considered at a later date in conjunction with the IAASB’s planned outreach activities.

Communications Plan

19. The AUASB-AUASB Communications Manager has prepared the below engagement approach to support the AUASB outreach. The approach focuses on consistent messaging across multiple platforms and includes metrics to track the impact of each of the forms of messaging.

Channel	Approach
LinkedIn	<ul style="list-style-type: none"> • Weekly posts detailing benefits of joining roundtable • Include image • InMail targeted LinkedIn followers • Include registration link/contact email • Request phone number for follow-up call
Twitter	<ul style="list-style-type: none"> • Weekly posts detailing benefits of joining roundtable
EDM #1	<ul style="list-style-type: none"> • To AUASB newsletter list announcing roundtables • Design new template (AK + JY)
EDM #2	<ul style="list-style-type: none"> • Broadcast via industry body newsletter lists where appropriate/possible • Leverage contacts at industry bodies to make this happen
Website	<ul style="list-style-type: none"> • Upload announcement to website news (homepage)
Direct Email (personalised outreach)	<ul style="list-style-type: none"> • AK to draft two emails; 1) personalised (plug-in recipient’s name), and 2) general email invite • Where possible, provide follow-up call to non-respondents
Webinar	<ul style="list-style-type: none"> • Record at Redback Studios • Chop-up content for future marketing through AUASB website, social media, and EDM • Use video content as support material for future thought leadership pieces • AUASB to discuss who will present on webinar/sharing = better variety for audience; i.e. consider at least 2 staff members for certain topics

20. The below two-week matrix has been prepared to demonstrate how messaging will be spread across multiple touch-points. The AUASB-AASB Communications Manager has extended this to weeks 3, 4 and 5 for internal purposes.

Week 1						Week 2				
Channel	Mon	Tues	Wed	Thu	Fri	Mon	Tue	Wed	Thu	Fri
EDM				11.30am			11.30am			
LinkedIn										
Twitter										
Email	Broad		Personal					Follow up		
Call					Key stakeholders referencing email			Key stakeholders referencing email		

21. The AUASB-AASB Communications manager will track the outlined communication mediums and channels and present results to the ATG to improve future outreach plans.

Reporting	Post-roundtable
EDM Open & Click-through Rates	Chop up Redback clip; use as part of content marketing plan over coming months (don't upload entire segment on YouTube all at once)
Stakeholder Registrations	Findings/commentary for website/LinkedIn/Twitter
Roundtable attendee count on the day	Add new attendees to database for future marketing; consider consolidating lists if there's more than one and it's appropriate
Social Metrics: what type of copy & visual drives the most engagement?	Keep new stakeholders engaged via a more frequent AUASB NL (i.e. now that we have their attention, let's maintain it)

Material Presented

Agenda Item

AUASB Board Meeting Summary Paper

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to provide feedback on plan	Respond to questions 1 and 2	AUASB	16 April 2019	N/A

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. **6**

Meeting Date: 16 April 2019

Subject: EER Assurance – Issuance of Phase 1 EER Consultation Paper – IAASB
 Seeking comments by 21 June 2019

Date Prepared: 8 April 2019

Prepared By: Marina Michaelides

Action Required

For Information Purposes Only

Agenda Item Objectives	AUASB SMEs
<p>The objectives of this Agenda Item on the EER Phase 1 guidance:</p> <ol style="list-style-type: none"> 1. Highlight some key areas in the guidance for consideration by the AUASB 2. AUASB to provide feedback on the questions raised by the ATG, the IAASB and overall comments/observations on the Phase 1 draft to inform the AUASB submission. 	<p>Marina</p>
<p>1. Update on IAASB EER Task Force Work</p> <p>The IAASB EER Task Force, with input from the Project Advisory Panel (PAP), issued the Phase 1 consultation paper on 1st March on 6 of the assurance challenges identified below:</p> <ul style="list-style-type: none"> • Materiality (Challenge 3) • Assertions (Challenge 4) • Criteria (Challenge 2) • Maturity of Governance (Challenge 5) • Narrative Information (Challenge 6); and • Addressing Narrative and Forward-looking information (Challenge 7). <p>The Phase 1 guidance was approved at the IAASB Board meeting held by teleconference on 31 January 2019, and issued on 8 February 2019.</p> <p>Stakeholders are being asked to provide their feedback to the IAASB by 21 June 2019 which will allow a summary of comments to be completed for the July EER Taskforce meeting with the view to a more detailed analysis of comments coming back to the IAASB September 2019 meeting.</p> <p>This is an interim consultation on draft guidance to assist the IAASB in updating and completing the non-authoritative guidance in Phase 2. An exposure draft of the completed document will be published for public comment in early 2020 with the aim to publish the final guidance in late 2020.</p> <p>The AUASB has previously submitted to the IAASB in February 2017 in response to the</p>	

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 Objectives	AUASB SMEs
Discussion Paper <i>Supporting Credibility and Trust in Emerging Forms of External Reporting</i> .	
<p>2. Proposed AUASB plan and Outreach for submission on EER CP Phase 1:</p>	
<p>The ATG have prepared an issues paper for the AUASB April meeting (see below) and a draft submission will come to the AUASB June meeting for approval.</p>	
<p>Proposed Outreach</p>	
<p>Outreach on the EER Phase 1 CP is to be targeted (invite only) discussion groups (Melbourne and Sydney) made up of key practitioners/stakeholders that are undertaking engagements in the EER space. Jo Cain as a member of the IAASB EER PAP and our Board member sponsor for EER will be involved in any outreach coupled with Nick Ridehalgh – KPMG who is also a member of the EER PAP.</p>	
<p>The suggested approach above for feedback on the Phase 1 EER guidance is consistent with the approach taken by the NZAuASB. The main difference being that the NZAuASB are not planning to undertake any formal planned outreach at this stage, other than communicating to stakeholders via the website that the guidance is open for comment and referencing feedback received at the IAASB EER roundtables held in November 2018. NZAuASB and AUASB will review any feedback received from the IAASB outreach sessions.</p>	
<p>AUASB and NZAuASB staff held initial discussions about key areas to discuss with the respective Boards on the 25th March 2019.</p>	
<p>3. Phase 1 EER Non Authoritative Guidance – Consultation Paper</p>	
<p>Key Issues to consider:</p>	
<p>Overall Comments</p>	
<p>3.1 The guidance is quite lengthy. To make the guidance more useful, we would suggest limiting where possible, repetition of ISAE 3000 but rather concentrating on the examples and practical guidance on how to actually apply ISAE 3000 to EER. We recognise the importance of ISAE 3000 as the standard on which the guidance is based, but consider that an upfront statement that contextualises that this guidance is built on ISAE 3000 and should be read in conjunction with ISAE 3000 rather than repeating the standard throughout may reduce the length of the document and provide the most value for the practitioner. (Qn 2 in CP refer below)</p>	
<p>3.2 We fully support the use of examples and understand that these have improved over time, although consider that some of the examples could be strengthened, possibly by flowing one example throughout the document to provide a clear application of the concepts to EER. (For particular, the apple example in the supplementary material does not appear to relate to or assist in the application to EER.)</p>	
<p>It may also be useful to see financial reporting examples alongside non-financial reporting examples throughout the guidance to cater for the different background of assurance practitioners in the EER space and to explain the ISAE 3000 concepts in a more relatable form.</p>	
<p>Further areas in the guidance where more examples could be useful:</p>	
<ul style="list-style-type: none"> ○ Considering the System of Internal Control: <ul style="list-style-type: none"> ▪ Procedures and resources, for a)-f) in para 67. ▪ Different types of control activities listed in a)-d) of para 70. 	

Agenda Item Objectives	AUASB SMEs
<ul style="list-style-type: none"> ▪ Governance oversight activities listed in a)-h) of para 71. ○ Determining Preconditions and Agreeing the Scope: Do we need para 47 a)-g) in addition to the diagram, or can the content in para 47 be integrated into the diagram? If para 47 remains, it could be enhanced with an example flowing through the stages. Could the greenhouse gas emissions of the entity be considered in terms of the contribution to climate change in comparison to peers in the sector? ○ Considering the Entity’s Materiality Process: Paragraph 164 would benefit from a couple of published examples, perhaps a best practice <IR> and a best practice Sustainability Report, showing how entities report their materiality process and the charts used to present their materiality results. <p>3.3 The guidance should only focus on the assurance practitioner’s role in an EER engagement. Exploring the preparers role in the guidance (e.g Chapter 8 – Diagram page 47, para 136-139), starts to blur the role of the assurance practitioner in these matters. It may be more useful if this information is also moved to the Appendix on contextual information.</p> <p>We have identified the following key areas to explore further:</p> <p>3.4 Is linking the preconditions and the system of internal control contradicting or conflicting with the requirements of ISAE 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information? Is the bar to meet the preconditions too high for EER engagements? (Qn 1, Qn 3 and Qn 4 in CP refer below)</p> <p>We have heard from IAASB roundtables in November 2018 that there is a general lack of understanding in the preparer community around controls and the preconditions for assurance. Where an entity voluntarily seeks assurance, they may be unsure of the need for controls and processes to support the EER, and therefore in practice, we understand that the current focus from assurance practitioners is in part the “assurance readiness” phase, working with clients as they develop their EER, to assist them to focus on developing systems that will be “assurable” in the longer term as well as provide better quality information.</p> <p>This is a costly exercise and may actually be a barrier for preparers when faced with voluntary reporting of EER. There may not be a declining cost over time either as reporting continuously evolves.</p> <p>In Australia the other areas of focus is primarily limited assurance engagements on tightly scoped metrics i.e. GRI metrics or sustainability reports.</p> <p>A key message that the IAASB have previously reiterated is that the assurance process should not be a barrier to innovation and should encourage preparers on the journey of EER rather than inhibit innovation in this space.</p> <p>The assurance practitioner is required to determine that they expect to be able to obtain sufficient evidence and whether the preconditions are present may depend on the extent to which the entity’s system of internal control is adequate and capable of developing information that can be verified, i.e. one must expect to be able to obtain the evidence needed to support the conclusion and there to be a rational purpose for the engagement. Therefore, we would support that this be included in the guidance and that this is not in conflict with ISAE 3000 (Revised).</p> <p>It will be a challenge to meet the preconditions for many EER assurance engagements due to the immaturity of data collation processes and reporting systems, as well as the lack of internal controls. The draft guidance provides some useful context on the performance of assurance</p>	

Agenda Item Objectives	AUASB SMEs
<p>readiness engagements in paragraphs 50-53. If a practitioner undertakes an assurance readiness engagement, they are typically moving into a developmental role and the issue of independence may be raised. Hence, their ability to continue in the role of assurance provider once assurance is sort may be questioned.</p> <p>3.5 Is the delineation between the preconditions for an assurance engagement and performing the engagement clear? (Qn1 and Qn 2 in CP refer below)</p> <p>The distinction between what falls within assessing the “precondition” based on preliminary knowledge as opposed to performing detailed walk throughs or testing (i.e., the knowledge needed to make a complete assessment) is unlikely to be able to be made without starting to perform some detailed work which is a practical challenge. Performing work to understand the control systems (walk through procedures) is not typically done as part of the acceptance of an engagement in practice. This is part of performing the assurance engagement.</p> <p>The focus on the ‘assurance readiness’ work is therefore a useful addition to the guidance (para 50-53) since the previous drafts discussed by the AUASB. However, it is not clear where no assurance readiness work is performed, as to when this work would be performed i.e. on ‘preconditions’ or ‘engagement performance and testing’. We suggest that this delineation could be clarified in the guidance, to cater for types of EER where the ‘assurance readiness’ type of engagement are not practicable.</p> <p>An overarching comment would be that the guidance on the preconditions seems to set a very high barrier to accepting an assurance engagement. Practically, when we consider that the practitioner may be unlikely to be able to reach a final conclusion on the suitability of the criteria, understand the materiality process and identify whether the internal control system is robust enough to be able to provide the evidence needed to conclude, until the practitioner has actually started to gain the understanding and do a system walk through that is traditionally performed as part of the assurance engagement.</p> <p>We consider that the guidance may need to recognise even further that preparers are on a journey to evolve their reporting, and that the assurance practitioner needs to be able to evolve their methodology and procedures alongside them. As an entity moves from ‘readiness’ to ‘assurance’ some of the measures reported may not be assurable and some may not. It may however not be as clear as accepting and scoping the engagement accordingly, but rather may be more appropriate to report on this journey. This is something that may be best dealt with under the ‘Preparing the Assurance Report’ in Phase 2, i.e., by encouraging the assurance practitioner to include recommendations and findings in the assurance report.</p> <p>If a readiness assessment is not performed separately, in many instances it is unclear how a practitioner would practically be able to determine whether the preconditions have been met, based only on a preliminary knowledge. Examples of where we consider that the delineation between ‘precondition’ and ‘the work performed as part of the assurance engagement’ could be made clearer are in the following paragraphs in the consultation paper:</p> <ul style="list-style-type: none"> • Response where the Preconditions are not Present para 75-78 • Reliability of underlying data and source information – para 107 • Changes to criteria – para 117 • Consider process to prepare subject matter information – para 128 	

Agenda Item Objectives	AUASB SMEs
-------------------------------	-------------------

3.6 Is the distinction between materiality and materiality process clear and do you consider that it is useful to have a separate chapter on the suitability of the criteria and the materiality process? (Qn1, Qn 2, Qn 3 and Qn 5 in CP refer below)

Indicative feedback at the IAASB EER roundtable discussions in November 2018 highlighted mixed views on whether identification of ‘what to report on’ is linked to materiality. Separating the terms and highlighting the difference between ‘materiality’ and ‘materiality process’ is helpful. The chapter on the ‘materiality process’ aims to provide practitioners through considering an entity’s ‘materiality process’, first by reviewing the context of the process and then reviewing the results of the process. Where this is applicable to the engagement, this would be part of the practitioner determining whether the criteria are suitable.

However there remains the matter that if a significant matter is omitted, then this may result in a material misstatement depending on the scope of the engagement. This cannot be limited to just a precondition for the engagement, but may be a conclusion after performing the assurance procedures.

The guidance in Phase 2 on performance materiality will be challenging for EER. The NZAuASB experience with SPI Information identified that it is difficult to conclude on overall SPI information, as well as whether a material misstatement exists within one measure. These matters are not mutually exclusive. Coverage of financial materiality thresholds may assist, relating to percentage error may help assurance practitioners to understand this area.

3.7 Do you agree that the additional papers contain further helpful information and that they should be published alongside the final guidance? (Qn 6 in CP refer below)

The ATG found the information in the Four Key Factor Model for Credibility on page 77 very useful and would support its publication alongside the guidance.

The ATG found the material in the Background and contextual information section on page 72 to be confusing. It is unclear how much of this information will assist a preparer. If this material is published we would recommend that the examples are changed and that it is very clearly articulated how this guidance will assist them.

- The AUASB is asked for views on:**
- a. the emphasis on internal controls in the guidance and whether you consider this to be consistent or contrary to ISAE 3000;**
 - b. the delineation between preconditions and performing the assurance engagement;**
 - c. the distinction between materiality and materiality process**
 - d. the helpfulness of additional papers in Appendix 1 – Background and Contextual Information and Four Key Factor Model for Credibility and Trust in relation to EER**
 - e. any specific comments on IAASB questions as noted below; and**
 - f. any general comments / observations on the Phase 1 guidance to inform the AUASB submission.**

IAASB Questions to Respondents

Questions to Respondents Question	Specific ‘Significant Matters’ Highlighted for Respondent Consideration
Q1) Does the draft guidance adequately address the challenges for practitioners that have been	Paragraphs 9-15 (scope of draft guidance) Paragraph 25 (preconditions and the system of internal control)

Agenda Item Objectives	AUASB SMEs
identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?	Paragraph 29 (suitability of criteria) Paragraph 33 ('materiality processes') Paragraph 35 (materiality of misstatements) Paragraph 40 (assertions) Paragraph 41 (narrative and future-oriented information)
Q2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?	Paragraphs 16-17 (examples, diagrams and terminology) Paragraph 34 (term 'materiality process') Paragraphs 37 and 40 (assertions)
Q3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?	Paragraph 18 (structure)
Q4) Do you agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?	Paragraphs 19-21 (relationship with ISAE 3000 (Revised)) Paragraphs 24 and 26 (linking preconditions and the system of internal control) Paragraph 36 (assertions)
Q5) Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?	Paragraphs 19-21 (matters not addressed in ISAE 3000 (Revised) and including details on the preparer's role and 'materiality processes') Paragraphs 24 and 26 (linking preconditions and the system of internal control) Paragraph 36 (assertions)
Q6) Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?	Paragraphs 42-45 (additional papers)
AUASB influencing activities	
<ul style="list-style-type: none"> • AUASB Board Member contributing directly as a member of the IAASB EER PAP (Jo Cain). • NZAuASB Board Member contributing directly as a member of the IAASB EER Task Force (Lyn Provost). • AUASB Chair and IAASB Board member and Technical Director to attend all IAASB meetings and participate in the ongoing discussions about Phase 2 and Phase 1 submissions when these are presented at the September IAASB meeting. • AUASB will conduct two targeted outreach sessions in Melbourne and Sydney in May 2019 to provide feedback to the AUASB to inform the response to the EER Phase 1 CP. 	
Next steps / milestones for this project	
<ul style="list-style-type: none"> • Phase 2 drafting and discussion will continue with meetings of the Task Force scheduled throughout 2019. • Task force are hoping to incorporate comments from submissions on the EER Phase 1 CP for their Taskforce meeting in July 2019 with a view to bringing the revised guidance back to the September IAASB meeting. 	

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.

Material Presented

- Agenda Item 6 AUASB Board Meeting Summary Paper
- Agenda Item 6.1 [EER Assurance – IAASB Consultation Paper \(Feb 2019\)](#)
- Agenda Item 6.2 Attachment: Comments received on each chapter (Jo Cain)

Action Required

No.	Action Item	Responsibility	Due Date
1.	Provide feedback to ATG on key areas raised, IAASB Questions and overall comments on EER Phase 1 guidance.	AUASB	16 April 2019

**Consultation Paper
February 2019**

Comments due: June 21, 2019

**Extended External Reporting (EER)
Assurance**

**IAASB Consultation Paper
(February 2019)**

IAASB

**International Auditing
and Assurance
Standards Board**

Acknowledgements

This Consultation Paper was developed by the International Auditing and Assurance Standards Board (IAASB) as part of a project run with the support of the World Business Council for Sustainable Development (WBCSD). This work is part of a conservation and financial markets collaboration among Ceres, World Business Council for Sustainable Development, World Wildlife Fund and the Gordon and Betty Moore Foundation. For more information, please visit www.moore.org.

About the IAASB

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services 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 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 structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC). Visit iaasb.org.

About WBCSD

WBCSD is a global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world. It helps make its member companies more successful and sustainable by focusing on the maximum positive impact for shareholders, the environment and societies.

WBCSD member companies come from all business sectors and all major economies, representing a combined revenue of more than US\$8.5 trillion and 19 million employees. WBCSD's global network of almost 70 national business councils gives its members unparalleled reach across the globe. WBCSD is uniquely positioned to work with member companies along and across value chains to deliver impactful business solutions to the most challenging sustainability issues.

Together, WBCSD is the leading voice of business for sustainability: united by its vision of a world where more than 9 billion people are all living well and within the boundaries of the planet, by 2050. Visit wbcsd.org.

About the Gordon and Betty Moore Foundation

The Gordon and Betty Moore Foundation fosters path-breaking scientific discovery, environmental conservation, patient care improvements and preservation of the special character of the Bay Area.

Visit Moore.org or follow @MooreFound.

For copyright, trademark, and permissions information, please see [page 84](#).

REQUEST FOR INPUT

This Consultation Paper was developed by the International Auditing and Assurance Standards Board® (IAASB®).

Comments are requested by June 21, 2019.

Respondents are asked to submit their comments electronically through the IAASB website, using the [“Submit a Comment”](#) link. First-time users must register to use this feature. Please submit comments in both a PDF and Word file. Respondents are asked not to use tables in their responses as these create difficulties for analysis. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IAASB website (www.iaasb.org).

EXTENDED EXTERNAL REPORTING (EER) ASSURANCE – IAASB CONSULTATION PAPER (FEBRUARY 2019)

CONTENTS

	Page
Explanatory Memorandum	5
Section 1 Introduction	5
Section 2 Guide for Respondents.....	6
Section 3 Significant Matters	6
Section 4 Request for Comments.....	12
Draft Guidance in Applying ISAE 3000 (Revised) to Extended External Reporting (EER) – Phase 1	14
Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria.....	72
Four Key Factor Model for Credibility and Trust in Relation to EER.....	77

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

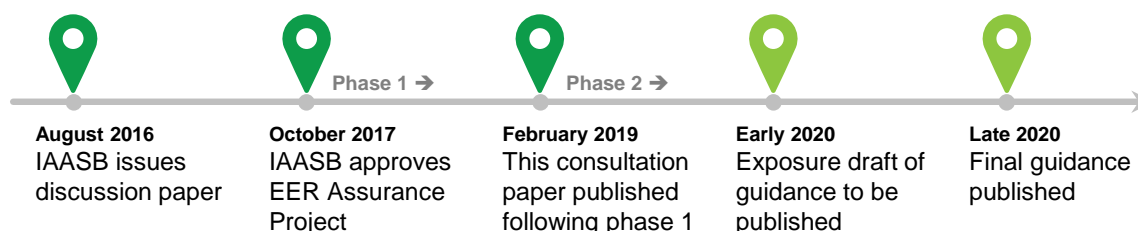
EXPLANATORY MEMORANDUM

Section 1 Introduction

1. This memorandum provides background to this consultation and the IAASB's [EER Assurance project](#).

Section 1-1 Background

2. EER encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance (ESG) matters. The IAASB is responding to EER becoming increasingly common and growing demand for assurance engagements in relation to it. Assurance engagements on EER are similar in concept to an audit (a specific type of assurance engagements) but they are performed on EER reports rather than on financial statements.
3. This project aims to enable more consistent and appropriate application of ISAE 3000 (Revised)¹ such that users of EER reports will have greater trust in the resulting assurance reports. The IAASB plans to achieve this primarily through the development of a document containing non-authoritative (non-mandatory) guidance (“the non-authoritative guidance document”) in applying ISAE 3000 (Revised) to EER.
4. Consistent with the [project proposal](#), the non-authoritative guidance document is being developed in two phases. Having completed phase 1, preliminary drafting of approximately half of the guidance has been developed (“the draft guidance” included in this consultation paper) and the IAASB is now seeking initial feedback from stakeholders on its work to date through this consultation paper.
5. This consultation paper does not include an exposure draft of the non-authoritative guidance document. It is an interim consultation on the draft guidance, and its purpose is to assist the IAASB in updating the draft guidance, and completing the non-authoritative guidance document, in phase 2. The final form of the complete non-authoritative guidance document following phase 2 is due to be determined by the IAASB during phase 2. During phase 2, an exposure draft of the complete non-authoritative guidance document (including the guidance developed in both phases) will be published for public comment, in accordance with the IAASB’s normal due process.



6. In addition to the draft guidance, this consultation paper includes two additional papers on which respondents to this consultation paper are also invited to comment:
 - a) Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria; and
 - b) Four Key Factor Model for Credibility and Trust in Relation to EER.

¹ International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Section 2 Guide for Respondents

7. The IAASB welcomes comments on all matters addressed in this consultation paper, but especially those identified in the Request for Comments section below. Respondents are free to address only some of the questions from the Request for Comments section if they wish.
8. Comments are most helpful when they refer to specific chapters or paragraphs (where appropriate), include the reasons for the comments, and make specific suggestions for any proposed changes to wording. When a respondent agrees with the approach suggested in the draft guidance, it will be helpful for the IAASB to be made aware of this view as this cannot always be inferred when not stated.

Section 3 Significant Matters

Section 3-1 Scope of the Draft Guidance

9. The scope of the non-authoritative guidance document is only specific aspects of applying ISAE 3000 (Revised). These areas were decided as a result of responses to a [discussion paper](#)² issued by the IAASB in 2016 (“the 2016 discussion paper”) that identified ten areas (challenges) where a practitioner may find guidance useful. These are listed in [Appendix 1](#) of the draft guidance.
10. Draft guidance has now been developed for the following areas, wholly allocated to phase 1:
 - a) Evaluating the suitability of criteria in a consistent manner
 - b) Addressing materiality for diverse information with little guidance in EER frameworks
 - c) Building assertions for subject matter information of a diverse nature
 - d) Lack of maturity in governance and internal control over EER reporting processes

In addition, draft guidance has been developed for two other areas, obtaining assurance over ‘narrative’ and ‘future-oriented’ information, allocated to phase 1 insofar as they relate to areas (a) to (d) above.

11. Respondents are encouraged to comment on whether the draft guidance adequately addresses the challenges identified in the areas allocated to phase 1, based on the practical issues encountered by practitioners today (see Question 1 in section 4).
12. The draft guidance in this consultation paper is presented in a format that illustrates how the fully completed non-authoritative guidance document could be structured in phase 2. However, this means that, in this consultation paper, the chapters (and sections of chapters) intended to include guidance related to areas allocated to phase 2 have not yet been fully developed, as shown below:

Chapter	Status of development
1 Introduction	■ Drafted in phase 1.
2 Overview of an EER Assurance Engagement	■ Drafted in phase 1.

² Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

Chapter	Status of development
3 Determining Preconditions and Agreeing the Scope	■ Guidance relating to the preconditions has been drafted in phase 1. 'Agreeing the Scope' is allocated to phase 2, although some initial guidance has been developed.
4 Applying Appropriate Skills	■ Not developed – allocated to phase 2.
5 Exercising Professional Skepticism and Professional Judgment	■ Not developed – allocated to phase 2.
6 Considering the System of Internal Control	■ Drafted in phase 1.
7 Determining the Suitability of Criteria	■ Drafted in phase 1.
8 Considering the Entity's 'Materiality Process'	■ Drafted in phase 1.
9 Performing Procedures and Using Assertions	■ Guidance on using assertions is developed. Guidance on performance materiality is to be developed in phase 2.
10 Assuring Narrative Information	■ Chapter is only partially developed as guidance relating to 'obtaining evidence' is allocated to phase 2.
11 Assuring Future-Oriented Information	■ Chapter is only partially developed as guidance relating to 'obtaining evidence' is allocated to phase 2.
12 Considering the Materiality of Misstatements	■ Drafted in phase 1.
13 Preparing the Assurance Report	■ Not developed – allocated to phase 2.

13. Please refer to [Appendix 1](#) of the draft guidance to see how the chapters in the draft guidance can be mapped to the ten areas identified in the 2016 discussion paper. [Chapter 2](#) of the draft guidance shows how the scope of the non-authoritative guidance document relates to the requirement paragraphs of ISAE 3000 (Revised).
14. The majority of respondents to the 2016 discussion paper supported the development of non-authoritative guidance but not a new assurance standard introducing mandatory requirements at this time, although the IAASB recognizes that the latter may be appropriate in the future.
15. The draft guidance is intended to be 'framework-neutral' such that it can be applied to assurance engagements over EER reports that are prepared using any EER framework, or entity-developed criteria. The draft guidance is therefore principles-based, however examples are included to illustrate how principles can be applied in the context of specific types of EER reports.

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Section 3-2 Form and Content of the Draft Guidance*Accessibility*

16. The draft guidance is intended to be accessible to practitioners such that it can be easily understood and is therefore a useful resource. Examples and diagrams are included to help make the guidance easier to understand.
17. While terminology is consistent with ISAE 3000 (Revised), the draft guidance acknowledges other terms used commonly in practice where practitioners with experience in this area will easily understand these – for example a ‘materiality process’. The draft guidance also introduces some additional terms not used in ISAE 3000 (Revised) such as ‘elements’ and ‘qualities’ (see [Chapter 1](#) of the draft guidance). The IAASB discussed whether this was appropriate, and some concern was raised that using such terms may not be easily understood and could in some cases be misleading, even if they are in common usage by practitioners with experience in this area. Respondents are therefore encouraged to comment on whether the terminology used is sufficiently simple and accessible, while maintaining the required level of technical accuracy and consistency with other IAASB literature in general and ISAE 3000 (Revised) in particular (see Question 2).

Structure

18. To make it straightforward for practitioners to find guidance in the areas they want, the draft guidance has been structured into chapters. Each chapter covers a different aspect of undertaking an assurance engagement. Respondents are asked if they support this proposed structure (see Question 3).

Relationship with ISAE 3000 (Revised)

19. In line with the project’s scope, the draft guidance does not introduce any further requirements beyond those in ISAE 3000 (Revised) and does not remove or change any of the requirements or application material in ISAE 3000 (Revised).
20. The draft guidance does however cover matters not addressed in ISAE 3000 (Revised), for example how to consider an entity’s ‘materiality process’ and whether or how to use assertions. This is because the IAASB agreed these were areas of challenge for practitioners in light of responses to the 2016 discussion paper.
21. While the draft guidance is intended to be primarily a resource for practitioners, in some areas it includes details about the preparer’s role in relation to an assurance engagement. This is because an appropriate understanding of the nature of the preparer’s role in preparing an EER report is likely to assist practitioners in performing effective EER assurance engagements. For example, Chapter 6 discusses the nature of the system of internal control (the responsibility of a preparer) as a practitioner may need to consider this in establishing whether the preconditions for an assurance engagement are present. Respondents are encouraged to comment on the matters in paragraphs 19-21 (see Questions 4 and 5).

Section 3-3 Preconditions for Assurance

22. Establishing whether the preconditions for an assurance engagement are present was not identified as a separate challenge for the practitioner in the 2016 discussion paper. However, the draft guidance includes a brief collective overview of the preconditions in [Chapter 3](#) as they are the starting point for discussing how some of the preconditions relate to identified challenges and associated matters, for

example the system of internal control (referred to as ‘governance and internal control’ in the 2016 discussion paper) and the suitability of criteria.

Section 3-4 System of Internal Control

23. The 2016 discussion paper suggested that governance and internal control over EER reporting processes often lacked maturity, particularly where EER was new. It noted that this may give rise to engagement acceptance issues.
24. The draft guidance discusses the entity’s governance and internal control in terms of a ‘system of internal control’ to be consistent with other IAASB standards and the COSO framework³. The draft guidance suggests that the practitioner may need to consider the system of internal control as part of establishing whether some of the preconditions for an assurance engagement are present. Two preconditions are drawn out as potentially being particularly relevant (see paragraph 58 of the draft guidance), however this is guidance that is incremental to the requirements and application material relating to those preconditions in ISAE 3000 (Revised). Respondents are invited to comment on the way the draft guidance covers this matter (see Questions 4 and 5). The draft guidance also suggests that the practitioner may consider it necessary to consider the entity’s system of internal control relating to its EER report, in fulfilling the requirements of ISAE 3000 (Revised), to obtain an understanding of the engagement circumstances.
25. To assist the practitioner with these considerations, [Chapter 6](#) of the draft guidance provides examples of aspects of each of the components of a system of internal control (in paragraphs 67, 70 and 71). The practitioner may use this guidance to consider whether the preparer’s system of internal control is adequate to support their determination as to whether the preconditions for an assurance engagement are present. Respondents are encouraged to suggest any pertinent items that may be missing from these lists of suggested considerations (see Question 1).
26. The draft guidance emphasizes that the system of internal control does not necessarily need to be ‘mature’ or ‘robust’, but it should be ‘adequate’ for the practitioner to determine that the preconditions for an assurance engagement are present. What is ‘adequate’ will be a judgment for the practitioner taking into account factors including the size and complexity of the specific entity. Respondents are encouraged to comment on how the draft guidance addresses this matter (see Questions 4 and 5).

Section 3-5 Criteria

27. A further area relating to the preconditions identified in the 2016 discussion paper was the practitioner evaluating the suitability of criteria in a consistent way. The IAASB considers that the draft guidance may be most useful for determining whether entity-developed criteria (rather than those from an EER framework) are suitable. However, in practice, the criteria often comprise a combination of criteria from one of more EER frameworks, as well as entity-developed criteria. The practitioner is required to determine whether the precondition that the criteria, whether they are from an EER framework or entity-developed, are suitable is present.
28. [Chapter 7](#) of the draft guidance first explains what criteria are in the context of ISAE 3000 (Revised), before giving more detailed guidance on what it means for criteria to be suitable, in particular how the five characteristics of suitable criteria may be understood in an EER context. A number of examples are included to assist practitioners in determining whether the criteria that they expect to

³ Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework*, May 2013

be applied in preparation of EER subject matter information are suitable for the engagement circumstances.

29. The IAASB recognizes that, in practice, the criteria used to prepare an EER report may not be clear or explicit as preparers often tend to think in terms of applying EER frameworks rather than in terms of selecting or developing and applying the assurance concept of criteria. Respondents are therefore encouraged to comment on whether the draft guidance sufficiently addresses the practical issues faced by practitioners in this regard (see Question 1).

Section 3-6 ‘Materiality Processes’

30. One aspect of preparing EER reports, which is practically different from preparing financial statements, is that the preparer commonly needs to decide how to make judgments about what to include in their EER report based on what will assist decision-making by the intended users. This may be because the criteria in an EER framework they are using do not adequately address how to make such judgments. This was described in the 2016 discussion paper, and is commonly described by practitioners, preparers and EER frameworks, as the preparer undertaking a ‘materiality process’. The practitioner’s consideration of the results of such a process was described as part of the challenge of ‘Addressing Materiality for Diverse Information with Little Guidance in EER Frameworks’ in the 2016 discussion paper.
31. Following further consideration by the IAASB, in the context of an ISAE 3000 (Revised) assurance engagement, undertaking a ‘materiality process’ effectively involves developing or extending the criteria such that they sufficiently exhibit the characteristics of relevance and completeness. However, the term ‘materiality’ is only used in ISAE 3000 (Revised) in the context of potential and identified misstatements.
32. [Chapter 8](#) of the draft guidance aims to guide practitioners through considering an entity’s ‘materiality process’, first by reviewing the context of the process and then reviewing the results of the process. Where this is applicable to the engagement, this would be part of the practitioner determining whether the criteria are suitable.
33. The IAASB recognizes that different EER frameworks, where they give direction in this area, can require different approaches to determining what will assist the intended users’ decision-making. The draft guidance aims to suggest an approach for practitioners that will be applicable regardless of any EER framework being used by the preparer. Respondents are encouraged to comment on whether this has been achieved (see Question 1).
34. Respondents are also asked to comment whether they agree with the use of the term ‘materiality process’ even though such a process does not relate to the concept of ‘materiality’ as used in ISAE 3000 (Revised) (see Question 2).

Section 3-7 Materiality

35. The practitioner’s consideration of the materiality of misstatements is covered in [Chapter 12](#) in response to the identified challenges of dealing with subject matter information that does not have a common unit of measurement or evaluation. The IAASB also recognizes the issue of considering misstatements in narrative information, and how such misstatements, when uncorrected, can be accumulated as required by ISAE 3000 (Revised). Respondents are asked to comment on whether the draft guidance is sufficient to address these issues (see Question 1).

Section 3-8 Assertions

36. The IAASB understands that assertions are a widely-used tool in assurance engagements and respondents to the 2016 discussion paper agreed that ‘building’ assertions was a key challenge for practitioners in relation to EER. However, as explained in the draft guidance, the use of assertions is not required by ISAE 3000 (Revised), and assertions are not mentioned in the standard. Respondents are therefore asked to comment whether the draft guidance discusses assertions in an appropriate way (see Questions 4 and 5).
37. [Chapter 9](#) of the draft guidance first explains what assertions are, based on the definitions in other IAASB standards (ISA 315 (Revised)⁴ and ISAE 3410⁵), as the IAASB recognizes that the term is sometimes used in different ways by practitioners. Respondents are asked to comment on whether this explanation is clear and easy to understand (see Question 2).
38. The draft guidance then explains how assertions (“representations ... embodied in the subject matter information ...”) result from the requirements of the applicable criteria. If the applicable criteria are properly applied, the resulting subject matter information will have attributes that reflect these assertions. In ISAE 3000 (Revised), the characteristics of suitable criteria are defined in terms of the attributes of subject matter information that results from applying them.
39. If the applicable criteria are suitable, it follows that the subject matter information will have some attributes that reflect assertions related to the characteristics of suitable criteria. The subject matter information may also have attributes that reflect assertions related to other characteristics of the applicable criteria. Identifying these attributes can help the practitioner in ‘building’ assertions, which involves identifying the categories of assertions that may be useful to the practitioner in considering the different types of potential misstatements that may occur in the context of a particular EER assurance engagement.
40. Respondents are invited to comment on whether the draft guidance will be helpful to practitioners in ‘building’ assertions and adequately addresses the challenges for practitioners in relation to using assertions where they choose to do so (see Question 1). Respondents are also invited to comment on whether explaining the above matters in paragraphs 38 and 39 may cause confusion about the distinct purposes of the characteristics of suitable criteria (in ISAE 3000 (Revised)) and of assertions (in other IAASB standards) (see Question 2). The purpose of the characteristics of suitable criteria is to assist the practitioner in evaluating the suitability of criteria, and the purpose of assertions is to assist the practitioner in considering the different types of potential misstatements that may occur in applying suitable criteria to prepare the subject matter information.

Section 3-9 Narrative and Future-Oriented Information

41. Draft guidance has been developed regarding assuring narrative and future-oriented information in relation to determining the suitability of criteria, using assertions and evaluating misstatements. Refer to Chapters [10](#) and [11](#) of the draft guidance. In the project proposal, assuring narrative and future-oriented information was considered to warrant specific guidance as such types of subject matter information are more common in EER reports than in financial statements. Respondents are invited to comment on whether the draft guidance developed so far addresses the challenges faced by

⁴ International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁵ International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*

practitioners (see Question 1), noting that guidance relating to ‘obtaining evidence’ is due to be developed in phase 2.

Section 3-10 Additional Papers

- 42. As noted above, in addition to the draft guidance, this consultation paper also includes two additional papers: ‘Background and Contextual Information on Understanding How Subject Matter Information Results from Measuring or Evaluating Subject Matter Elements Against the Criteria’ and the ‘Four Key Factor Model for Credibility and Trust’.
- 43. The first paper contains material that is mainly of an educational nature relating to aspects of how an EER report may be prepared.
- 44. The second paper introduces and explains a model developed by the IAASB explaining factors that may enhance the credibility of EER reports. It provides context to performing assurance engagements over EER. The model was previously presented in Section III of the 2016 discussion paper and has been updated to reflect positive feedback received from respondents to that discussion paper.
- 45. The IAASB plans to publish these as separate papers alongside the non-authoritative guidance document. Respondents are invited to comment on the content of these two papers, and on the IAASB’s plans to publish them (see Question 6).

Section 4 Request for Comments

- 46. The following is a summary of the questions for respondents with specific ‘significant matters’ highlighted for respondent consideration, along with a request for general comments.

Questions to Respondents

Question	Specific ‘Significant Matters’ Highlighted for Respondent Consideration
Q1) Does the draft guidance adequately address the challenges for practitioners that have been identified as within the scope of the draft guidance developed in phase 1? If not, where and how should it be improved?	<p>References are to paragraphs in Section 3 above.</p> <p>Paragraphs 9-15 (scope of draft guidance)</p> <p>Paragraph 25 (preconditions and the system of internal control)</p> <p>Paragraph 29 (suitability of criteria)</p> <p>Paragraph 33 (‘materiality processes’)</p> <p>Paragraph 35 (materiality of misstatements)</p> <p>Paragraph 40 (assertions)</p> <p>Paragraph 41 (narrative and future-oriented information)</p>
Q2) Is the draft guidance clear and easy to understand, including through the use of examples and diagrams, and the way terminology is used? If not, where and how should it be improved?	<p>Paragraphs 16-17 (examples, diagrams and terminology)</p> <p>Paragraph 34 (term ‘materiality process’)</p> <p>Paragraphs 37 and 40 (assertions)</p>

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Question	Specific ‘Significant Matters’ Highlighted for Respondent Consideration References are to paragraphs in Section 3 above.
Q3) Do you support the proposed structure of the draft guidance? If not, how could it be better structured?	Paragraph 18 (structure)
Q4) Do you agree that the draft guidance does not contradict or conflict with the requirements or application material of ISAE 3000 (Revised), and that the draft guidance does not introduce any new requirements?	Paragraphs 19-21 (relationship with ISAE 3000 (Revised)) Paragraphs 24 and 26 (linking preconditions and the system of internal control) Paragraph 36 (assertions)
Q5) Do you agree with the way that the draft guidance covers matters that are not addressed in ISAE 3000 (Revised)?	Paragraphs 19-21 (matters not addressed in ISAE 3000 (Revised) and including details on the preparer’s role and ‘materiality processes’) Paragraphs 24 and 26 (linking preconditions and the system of internal control) Paragraph 36 (assertions)
Q6) Do you agree that the additional papers contain further helpful information and that they should be published alongside the non-authoritative guidance document?	Paragraphs 42-45 (additional papers)

Request for General Comments

- Q7) In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:
- a) Stakeholder Perspectives—Respondents representing stakeholders such as preparers (including smaller entities) of EER reports, users of EER reports, and public sector entities are asked to comment on the questions above from their perspective.
 - b) Developing Nations—Recognizing that many developing nations have adopted or are in the process of adopting the International Standards, the IAASB invites respondents from these nations to comment, in particular, on any foreseeable difficulties in using the draft guidance in a developing nation environment.
 - c) Translation—Recognizing that many respondents may intend to translate the final guidance for adoption in their own environments, the IAASB welcomes comments on potential translation issues.

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

DRAFT GUIDANCE IN APPLYING ISAE 3000 (REVISED) TO EXTENDED EXTERNAL REPORTING (EER) – PHASE 1

CONTENT

	Page
Chapter 1: Introduction.....	16
Background.....	16
Purpose of this Guidance	16
Terminology	17
Chapter 2: Overview of an EER Assurance Engagement	18
Chapter 3: Determining Preconditions and Agreeing the Scope	22
Preconditions for Assurance.....	22
Agreeing the Scope of an EER Assurance Engagement.....	26
Chapter 4: Applying Appropriate Skills	27
Chapter 5: Exercising Professional Skepticism and Professional Judgment	27
Chapter 6: Considering the System of Internal Control	27
Introduction	27
Understanding the Entity’s System of Internal Control.....	28
Consideration of the Entity’s Size, Complexity and Nature	31
Response where the Preconditions are not Present	31
Impact on Overall Engagement Strategy	32
Chapter 7: Determining the Suitability of Criteria.....	33
Introduction	33
Requirements for Suitable Criteria	35
Established Criteria	42
Availability of the Criteria	43
Consequences where Criteria are not Suitable or Available	44
Chapter 8: Considering the Entity’s ‘Materiality Process’	45
Introduction	45
Step 1: Review the Context of the Preparer’s ‘Materiality Process’	47
Step 1a: Has the Preparer Adequately Identified the Purpose of their Report?	48
Step 1b: Has the Preparer Adequately Identified the EER Report’s Intended Users? ..	48
Step 2: Review Selection of Topics and Related Elements to Include in the EER Report	50
Dealing with Confidential Information	54

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Considering Topics and Related Elements Collectively	54
Other Information	54
Disclosure of the 'Materiality Process'	55
Chapter 9: Performing Procedures and Using Assertions	56
Introduction	56
The Nature of Assertions	56
Identifying Categories of Assertions that may be Used.....	57
Using Categories of Assertions	58
Types of Misstatement	59
Chapter 10: Assuring Narrative Information.....	60
Introduction	60
Specific Considerations for Determining the Suitability of Criteria	60
Specific Considerations for Using Assertions & Testing Narrative Information.....	61
Specific Considerations for Evaluating Misstatements.....	63
Chapter 11: Assuring Future-Oriented Information.....	64
Introduction	64
Specific Considerations for Determining the Suitability of Criteria	65
Specific Considerations for Using Assertions and Testing Future-Oriented Information	65
Chapter 12: Considering the Materiality of Misstatements	67
Introduction	67
Practitioner Responsibilities	67
Materiality Considerations	67
Accumulating Misstatements.....	69
Measurement or Evaluation Uncertainty	69
Chapter 13: Preparing the Assurance Report.....	70
Appendix 1: The Ten Key Challenges	

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Chapter 1: Introduction

Background

1. 'Extended external reporting' (EER) encapsulates many different forms of reporting, including, but not limited to, integrated reporting, sustainability reporting and other reporting by entities about environmental, social and governance (ESG) matters. EER includes non-financial information and information that goes beyond that which is contained in traditional financial statements that focus on the entity's financial position, financial performance and impact on its financial resources.
 2. EER reports may be required by law or regulation, or alternatively may be produced by entities voluntarily. They may be prepared using frameworks, standards and guidance established by law or regulation, by international or national standard setters, or by other bodies (referred to in this document as "EER frameworks"). EER can be less structured in comparison to financial statement reporting. There may also be diversity in the criteria used to prepare the EER report given the wide selection of EER frameworks, and because entities often develop their own criteria either in addition to, or instead of, using EER frameworks.
 3. EER tends to be more diverse than financial statement reporting, both in format and in the matters being reported on. The reporting can also be more qualitative; the information can comprise more description (narrative information) alongside financial and non-financial numbers. The processes and aspects of the internal control system related to the preparation of EER may often be less developed, particularly when an entity first starts to prepare EER.
 4. The IAASB issued a discussion paper⁶ in 2016 identifying ten areas where a practitioner may find guidance useful in applying ISAE 3000 (Revised) (sometimes alternatively referred to as "the standard" in this document) to assurance engagements over EER. In response to broad agreement with this assessment from respondents, the scope of this document is to provide guidance in these specific areas. See [Appendix 1](#) for further background information.
- ① This non-authoritative guidance document is being developed in two phases and this document includes only initial draft guidance developed in the first phase, covering approximately half of the guidance to be developed. The IAASB is now seeking initial feedback from stakeholders on the draft guidance developed to date, to assist the IAASB in updating it and in completing the development of an exposure draft of the non-authoritative guidance document, in phase 2.
5. The guidance's intended audience is primarily practitioners carrying out EER assurance engagements, although it may also be useful for preparers of EER reports.

Purpose of this Guidance

6. The purpose of this guidance document is to provide practical assistance to a practitioner carrying out assurance engagements over EER in the form of guidance on the application of the standard. ISAE 3000 (Revised) deals with assurance engagements other than audits or reviews of financial statements as described in the *International Framework for Assurance Engagements*. It is intended to be applied to a wide range of matters being reported on. This guidance is designed to assist with engagements over EER reports of entities of all sizes and a broad range of EER matters being reported on. Although the guidance may be helpful in performing other types of assurance engagements, it has not been developed with such engagements in mind.

⁶ Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

7. As it is non-authoritative, this guidance does not introduce any further requirements beyond those in ISAE 3000 (Revised). Similarly, none of the contents of this guidance remove or change any of the requirements or application material in ISAE 3000 (Revised).
8. ISAE 3000 (Revised) can be used in both direct and attestation engagements⁷, however, like the standard, this guidance is written in the context of attestation engagements. It may be applied to direct engagements, adapted and supplemented as necessary in the engagement circumstances.

Terminology

9. Terminology in this guidance is consistent with ISAE 3000 (Revised), as defined in paragraph 12 of the standard. It is noted however that as EER is a developing area, different terms may be used around the world with broadly equivalent meaning.
10. The Appendix of ISAE 3000 (Revised) provides guidance on the roles and responsibilities of different parties in an assurance engagement, which include the responsible party, the measurer or evaluator, the engaging party and the practitioner. In many circumstances in an attestation engagement, the responsible party is also the measurer or evaluator. For simplicity, this guidance uses the term 'preparer' to mean a responsible party who is also the measurer or evaluator.
11. This guidance refers to 'subject matter elements' (or 'elements') and their 'qualities' in the context of an EER report. These terms are not defined or used in ISAE 3000 (Revised). However, the standard recognizes the underlying subject matter has 'aspects'. For the purposes of this document:
 - a) References to 'subject matter elements' or 'elements' are analogous to 'assets', 'liabilities', 'income' or 'expenses', which are aspects of the underlying subject matter (the entity's financial condition and performance) to which criteria are applied in preparing financial statements.

The subject matter elements to which criteria are applied in preparing EER reports may comprise very diverse phenomena. They may include, for example, different natural resources, individual employees, individual customer relationships, or features of the entity's strategy or of its governance, management, risk management and internal control infrastructure.
 - b) References to 'qualities' of elements are analogous to the financial 'value' of elements of the financial statements, which is measured for different elements using measurement bases specified in the criteria.

The qualities of elements measured or evaluated using measurement or evaluation bases specified in the criteria for an EER report may be very diverse, depending on the nature of the elements. They might include, for example, when the underlying subject matter is water, the entity's 'intake volume' or 'discharge volume' of water.

⁷ Refer to ISAE 3000 (Revised) paragraph 12(a)(ii) for definitions of attestation and direct engagements.

Chapter 2: Overview of an EER Assurance Engagement

12. This chapter provides an overview of what undertaking an EER assurance engagement under ISAE 3000 (Revised) involves. It can be used to navigate this document as it refers to later chapters that contain more detailed guidance. The subheadings reflect the sections in the standard and include the paragraph references in the standard. As this document only provides guidance on the specific areas where it is likely to be most useful (see paragraph 4), the subheadings below are marked as follows:

- = Sections with guidance in later chapters
- = Sections without guidance in later chapters

Conduct of an Assurance Engagement in Accordance with ISAE ○ Paragraphs 14-19

13. This section of the standard explains various requirements the practitioner is required to adhere to when using it, including that the practitioner shall not represent compliance with the standard unless they have complied with all of its requirements.

Ethical Requirements ○ Paragraph 20

14. A practitioner undertaking engagements under ISAE 3000 (Revised) is required to comply with the IESBA Code related to assurance engagements, or other requirements that are at least as demanding.

Acceptance and Continuance ● Paragraphs 21-30

15. Similar to a financial statement audit, the practitioner is required to undertake appropriate acceptance (for a new engagement) or continuance (for a recurring engagement) procedures prior to accepting any assurance engagement in accordance with ISAE 3000 (Revised).
16. These include establishing that the preconditions for the engagement are present⁸ (many of which are discussed further in this guidance in the context of EER) and that the practitioner has no reason to believe the relevant ethical requirements, including independence, will not be satisfied.
17. Paragraph 24 of the standard sets out the preconditions required to be present before the practitioner can accept or continue the engagement. Appropriate procedures regarding the acceptance and continuance of client relationships are also required to have been followed⁹.
18. Establishing whether these preconditions are present may not be straightforward, particularly in an initial engagement. However, insufficient attention to these areas by the practitioner at the acceptance or continuance stage may result in issues arising later in the engagement. Refer to [Chapter 3](#) of this document for further guidance on the preconditions for an assurance engagement. [Chapter 6](#) gives more detailed guidance on the system of internal control, including the entity's governance, and how this relates to the preconditions, and [Chapter 7](#) provides guidance specifically in relation to the precondition that the criteria are suitable.
19. When agreeing the terms of engagement between the parties, one of the important areas for an EER engagement is to agree the scope of the assurance engagement. The scope may vary from the whole EER report to specific sections or even to specific measures or indicators in the EER report. From the practitioner's perspective, narrowing the assurance scope may increase the risk of the

⁸ ISAE 3000 (Revised) paragraph 24

⁹ ISAE 3000 (Revised) paragraph 21

engagement lacking a rational purpose or misleading readers of the EER report. This is explored further in [Chapter 3](#).

Quality Control ●

Paragraphs 31-36

20. This section of the standard sets out the requirements of the engagement partner to have appropriate competence and capabilities, and explains their other responsibilities.
21. The engagement partner is also required to be satisfied that those who are to perform the engagement collectively have the appropriate competence and capabilities¹⁰. Carrying out EER assurance engagements typically requires significant professional judgment and the broad range of matters being reported on in EER reports may mean specialized skills and experience are required.
22. It is acknowledged that it may be necessary for a practitioner to involve experts in the engagement, and in some cases for the firm providing assurance services to appoint an engagement quality [control] reviewer. In phase 2, further guidance on applying appropriate skills in an EER assurance engagement will be included in [Chapter 4](#) of this document.

Professional Skepticism, Professional Judgment, and Assurance Skills and Techniques ●

Paragraphs 37-39

23. The standard requires the practitioner to apply professional skepticism and exercise professional judgment in planning and performing the engagement. In phase 2, further guidance will be included in [Chapter 5](#) of this document.

Planning and Performing the Engagement ●

Paragraphs 40-47

24. Some of the engagement planning activities may follow on from work completed as part of the acceptance and continuance stage, for example considering in more detail whether the criteria are suitable (see [Chapter 7](#)).
25. The other main requirement in this phase is to obtain an understanding of the underlying subject matter and other engagement circumstances. This phase will provide the practitioner with a frame of reference for exercising professional judgment throughout the engagement by understanding the context of the engagement, the entity and its activities. This includes the entity's process to prepare the EER report to the extent required by paragraphs 47L and 47R of the standard for limited and reasonable assurance engagements respectively. The nature of the preparer's system of internal control will likely also influence the practitioner's overall engagement strategy. Refer to [Chapter 6](#) for more guidance on considering the system of internal control.
26. Some EER frameworks require the preparer to determine what the important matters are to include in the EER report because the criteria from the EER framework do not specify this in sufficient detail. Where this is the case, these judgments made by the preparer are often referred to as a 'materiality process'. In determining whether the criteria are suitable for the engagement circumstances¹¹ (particularly whether they are relevant and complete), for some engagements the practitioner may need to review and evaluate such a 'materiality process' undertaken by the preparer. What the practitioner is required to do may be determined by the scope of the assurance engagement. Refer to [Chapter 8](#) for detailed guidance on considering an entity's 'materiality process'.

¹⁰ ISAE 3000 (Revised) paragraphs 22(b) and 32

¹¹ ISAE 3000 (Revised) paragraph 41

27. The practitioner is required to consider materiality in determining the nature, timing and extent of procedures (performance materiality – to be included in [Chapter 9](#) in phase 2), as well as in evaluating the materiality of misstatements (see under ‘Forming the Assurance Conclusion’ below and [Chapter 12](#)).

Obtaining Evidence ●

Paragraphs 48-60

28. Prior to designing and performing assurance procedures in a reasonable assurance engagement, the standard requires the practitioner to identify and assess the risks of material misstatement, or in a limited assurance engagement, identify areas where a material misstatement is likely to arise¹².
29. In designing procedures, the practitioner may find it helpful to use assertions to consider the different types of potential misstatements of the information that may occur. Refer to [Chapter 9](#) for further guidance.
30. The extent of the procedures required for a reasonable assurance engagement is likely to be greater than for a limited assurance engagement. The nature and timing of the procedures may also vary between reasonable and limited assurance engagements. The standard sets out the different requirements.
31. The standard explains that a reasonable assurance engagement may involve testing the operating effectiveness of controls relevant to the engagement, but also acknowledges that a fully substantive approach to the engagement may be appropriate.
32. EER may include narrative and future-oriented information. Guidance on how a practitioner may approach this is included in Chapters [10](#) and [11](#) respectively.
33. Evidence is obtained from performing the designed procedures. Any misstatements identified, other than those that are corrected by the preparer or that are clearly trivial, are accumulated by the practitioner¹³. These are later evaluated as part of ‘Forming the Assurance Conclusion’ (see paragraph 38).
34. The standard also includes requirements relating to the use of experts or the work of another practitioner and requesting written representations. These are outside the scope of this guidance.

Subsequent Events ○

Paragraph 61

35. The standard requires the practitioner to consider the effect of any subsequent events up to the date of the assurance report and respond appropriately to subsequent events that become known to the practitioner after the date of the assurance report.

Other Information ○

Paragraph 62

36. In circumstances where the scope of the assurance engagement does not cover an entire document, a practitioner has responsibilities in respect of ‘other information’ that is in a document together with information that has been subject to assurance. In phase 2, some applicable guidance about agreeing the scope of assurance will be included in [Chapter 3](#) of this document, however further guidance on the requirements specifically in relation to other information is outside the scope of this guidance document.

¹² ISAE 3000 (Revised) paragraphs 48L and 48R

¹³ ISAE 3000 (Revised) paragraph 51

Description of Applicable Criteria ○ Paragraph 63

37. A preparer may need to refer to or describe the applicable criteria as part of fulfilling the requirement to make them available to the intended users¹⁴. The standard requires the practitioner to evaluate whether this has been done.

Forming the Assurance Conclusion ● Paragraphs 64-66

38. The standard requires the practitioner to evaluate the sufficiency and appropriateness of the evidence obtained, as well as form a conclusion about whether the subject matter information is free from material misstatement¹⁵. Guidance relating to considering the materiality of misstatements is included in [Chapter 12](#) of this document.

Preparing the Assurance Report ● Paragraphs 67-71

39. There are requirements for the minimum basic elements to be included in an assurance report that are set out in the standard. In phase 2, further guidance on preparing the assurance report will be set out in [Chapter 13](#).

Unmodified and Modified Conclusions ● Paragraphs 72-77

40. The standard explains the various conclusions that a practitioner can form, as well the circumstances where it may be necessary to include an ‘emphasis of matter’ or ‘other matter’ paragraph in the assurance report. In phase 2, further guidance on this will also be included in [Chapter 13](#) of this document.

Other Communication Responsibilities ○ Paragraph 78

41. The standard contains a requirement for the practitioner to consider whether any matters need to be communicated to the preparer, the engaging party, those charged with governance or others.

Documentation ○ Paragraphs 79-83

42. The standard includes requirements for the practitioner to prepare and retain documentation during the engagement.

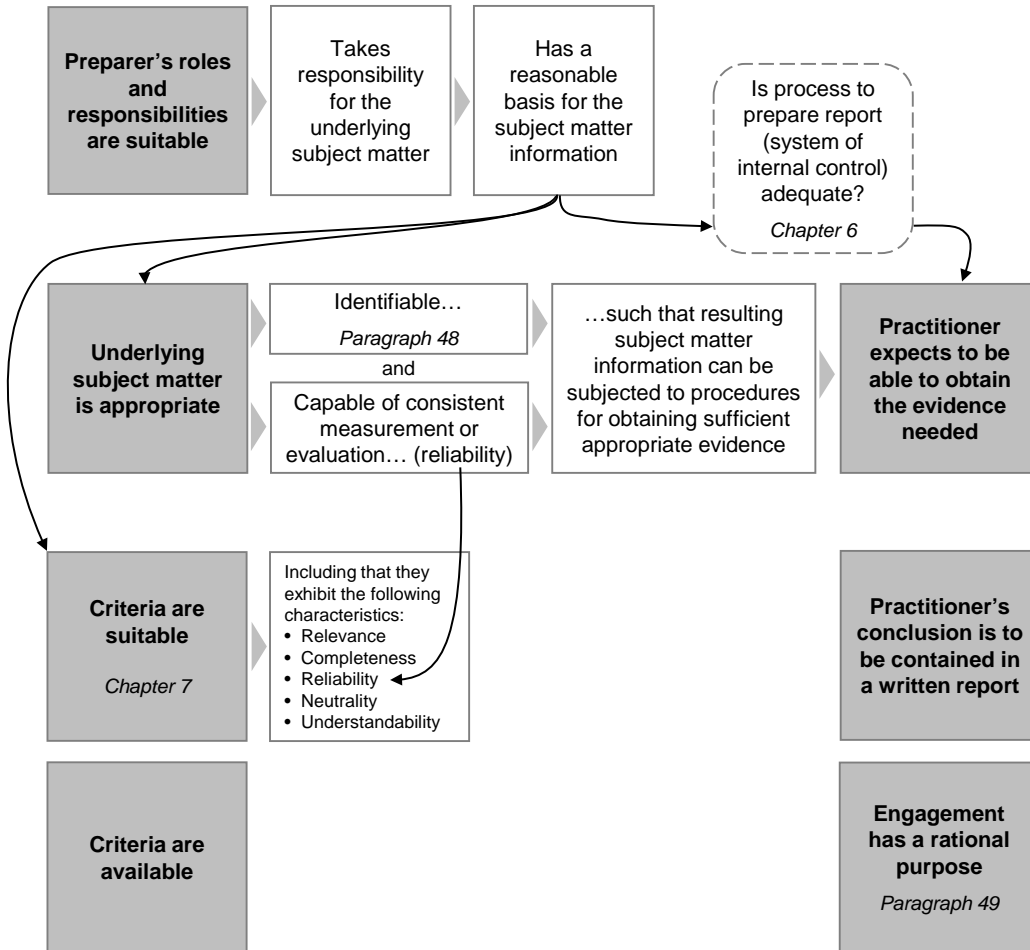
¹⁴ ISAE 3000 (Revised) paragraph 24(b)(iii)

¹⁵ ISAE 3000 (Revised) paragraphs 64 and 65

Chapter 3: Determining Preconditions and Agreeing the Scope

Preconditions for Assurance

43. The practitioner is only permitted to accept or continue an assurance engagement when, amongst other matters, the basis on which the engagement is to be performed has been agreed. In part, this is established through identifying that the preconditions for an engagement are present, based on a preliminary knowledge of the engagement circumstances and discussion with the preparer.
44. For a recurring engagement, the same preconditions are required, however the continuance process may be more straightforward as the practitioner will already have good knowledge of the entity and the engagement circumstances with which to determine if the preconditions are present.
45. The same preconditions need to be present for all assurance engagements, whether limited or reasonable assurance is being obtained. For example, in order for the criteria to be suitable in a limited assurance engagement, the practitioner must be able to determine that they would be suitable in a reasonable assurance engagement.
46. The preconditions are set out in paragraph 24 of the standard, which are summarized in the seven grey shaded boxes:



Key



Precondition for assurance (paragraph 24 of the standard).



Based on requirements or application material in the standard relating to preconditions connected by ► arrows.



Incremental guidance in this IAEPN, based on the principles in the standard and the International Framework for Assurance Engagements.

47. The following considerations for the practitioner include questions (based on the preconditions for an assurance engagement) that are designed to illustrate how the practitioner may make some of the judgments involved in the acceptance or continuance decision.

CONSIDERATIONS FOR THE PRACTITIONER	<p>a) Are the roles and responsibilities of the appropriate parties suitable, and has the preparer appropriately fulfilled its responsibility to have a reasonable basis for the subject matter information?</p> <ul style="list-style-type: none"> i) Is the underlying subject matter appropriate (see (b) below)? ii) Are the criteria suitable (see (c) below)? iii) Is the preparer’s process to prepare the information adequate and appropriately supported by related aspects of the entity’s system of internal control (see guidance in Chapter 6)? <p>b) Is the underlying subject matter appropriate?</p> <ul style="list-style-type: none"> i) Is it identifiable (see paragraph 48); and ii) Is it capable of consistent measurement or evaluation against the applicable criteria; such that the resulting subject matter information can be subjected to procedures for obtaining sufficient appropriate evidence? <p>c) Are the criteria you (as the practitioner) expect to be applied by the preparer suitable for the engagement circumstances (see guidance in Chapter 7)?</p> <ul style="list-style-type: none"> i) Does the preparer have an appropriate process in place for developing and reviewing the criteria? <p>d) Will the criteria that you (as the practitioner) expect to be applied by the preparer be available to the intended users?</p> <p>e) Do you (as the practitioner) expect to be able to obtain the evidence needed to support your assurance conclusion?</p> <p>f) Is your practitioner’s conclusion going to be contained in a written report?</p> <p>g) Does the engagement have a rational purpose (see paragraph 49)?</p> <p>The full preconditions for an assurance engagement are set out in paragraph 24 of the standard.</p>
--	--

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Underlying subject matter is identifiable

48. Identifiable underlying subject matter means that the subject matter elements are well-defined and distinct from other things.

EXAMPLE	<p>The greenhouse gas emissions of an entity might be identifiable underlying subject matter because there are widely accepted definitions of greenhouse gas emissions (such that they are distinct from other things, for example other emissions to air). Additionally, methods exist to measure or estimate those greenhouse gas emissions that are attributable to the entity's activities.</p> <p>However, the impact of the entity's activities on global temperature change more broadly might not be identifiable underlying subject matter. This is because it is difficult to attribute global temperature changes to greenhouse gas emissions of specific entities and to separate the impact of greenhouse gas emissions from other factors causing such temperature changes (for example deforestation).</p>
----------------	---

The engagement has a rational purpose

49. The purpose of an assurance engagement is established in the definition of an assurance engagement in paragraph 12(a) of the standard. The meaning of the term 'rational' is not explicitly addressed in the standard. However, an assurance engagement may be considered to have a rational purpose if the practitioner's conclusion is designed "to enhance the degree of confidence of the intended users ... about the subject matter information". It may be expected that it is designed to do this in a way that is logical, coherent and appropriate in the engagement circumstances. In this context, the application material in paragraph A56 of the standard sets out certain considerations that may be relevant in determining whether the purpose of a proposed assurance engagement is rational.

CONSIDERATIONS FOR THE PRACTITIONER	<p>In determining whether a proposed EER assurance engagement has a rational purpose, it may be appropriate for the practitioner to consider matters such as:</p> <ul style="list-style-type: none"> • Who the intended users are, including taking into account whether the applicable criteria were designed for a general or special purpose and whether the EER report or the assurance report will be used or distributed more broadly than to the identified intended users. • Assuming the subject matter information is expected to address the significant information needs of the intended users, whether any aspects of the subject matter information are expected to be excluded from the assurance engagement and the reason for their exclusion. • Who selected the criteria, including whether and the extent to which the intended users or other parties were involved in selecting or designing the criteria and the degree of judgment and scope for bias where parties other than the intended users were involved in doing so.
--	--

- Whether the level of assurance that the practitioner plans to obtain (and therefore what would constitute sufficient appropriate evidence) is expected to reduce engagement risk to a level which is at least meaningful in the circumstances of the engagement, having regard to the extent of the consequence to the intended users of an inappropriate conclusion by the practitioner.
- Where the engagement is a limited assurance engagement, whether the level of assurance the practitioner plans to obtain is sufficient to be meaningful to the intended users – in some circumstances, the intended users’ need for assurance may even be so great that a reasonable assurance engagement is needed to obtain a meaningful level of assurance.
- Whether the scope of the practitioner’s work is expected to be limited significantly, such that the practitioner’s conclusion may not sufficiently enhance the degree of confidence of the intended users in the EER report.
- Whether, when the engaging party, responsible party and the measurer or evaluator are not all the same party, the characteristics of the relationships between these parties could undermine the purpose of the engagement.
- Whether the practitioner believes that the preparer intends to associate the practitioner’s name with the underlying subject matter or the EER report in an inappropriate manner.

Assurance Readiness Engagements and “Maturity Assessments”

50. In some circumstances, for example in larger or more complex engagements, the practitioner may choose to determine whether the preconditions are present as part of an ‘assurance readiness’ process prior to committing to an assurance engagement. This may be a separate (non-assurance) engagement that would not be performed under ISAE 3000 (Revised). If it is found by the practitioner that the preconditions for assurance are present, the entity can then choose to proceed with requesting an assurance engagement.
51. As well as assisting the practitioner in managing a preparer’s expectations, this approach may also be beneficial to the entity because the practitioner may communicate findings, conclusions and recommendations about the entity’s readiness for an assurance engagement to those charged with governance or management, as appropriate. Such communications may encourage those charged with governance or management, as appropriate, to take steps to improve the process to prepare EER reports.
52. There are many other types of assurance readiness engagements and “maturity assessments” that a practitioner may undertake that would not be performed under ISAE 3000 (Revised). For example, a practitioner may undertake a ‘maturity assessment’ to evaluate the maturity of the entity’s system of internal control related to the process to prepare the EER report, or other matters. This may include considering the design and implementation or effectiveness of the system as a whole, or aspects of it, such as the relevance of performance measures the entity is developing and considering whether they are sufficiently well-established to provide intended users with the appropriate information they need to assist their decision-making.

53. Although these engagements and assessments can also provide insights that may assist the entity in further developing its EER processes, there may be a self-review threat to the practitioner's independence if, for example, the practitioner is advising on the further development of the entity's EER processes and then plans to undertake a subsequent EER assurance engagement or where the practitioner is providing an audit or other assurance engagement.

Agreeing the Scope of an EER Assurance Engagement

- ① Although this topic has been allocated to phase 2 of the project, some initial draft guidance has been developed.
54. There is a wide variety in the scope of assurance engagements carried out in accordance with ISAE 3000 (Revised), in practice. The scope of an engagement can be an entire report or only part(s) of an EER report.
55. ISAE 3000 (Revised) can be applied to a variety of engagements provided that the preconditions in paragraph 24 of the standard are met. If considering a particularly narrow scope for the assurance engagement, for example only covering specific measures or indicators in isolation, careful consideration may be needed to determine whether the preconditions are present, including that the engagement has a rational purpose (see paragraph 49).
56. In circumstances where the proposed scope of the engagement is not an entire EER report, a practitioner may need to consider whether the reasons for excluding parts of the subject matter information from the assurance engagement are appropriate in determining whether the engagement has a rational purpose¹⁶. For example, the engagement may be more likely to have a rational purpose if the parts of the EER report within the scope of the assurance engagement are those which are most important in assisting decision-making by the intended users. Selecting only parts of the EER report that are easy to subject to an assurance engagement or that present the entity in a positive way may mean the assurance engagement does not have a rational purpose.

Other Information

57. Anything in an EER report not within the scope of the assurance engagement is classed as 'other information'. Regardless of the engagement's scope, the practitioner is required by paragraph 62 of the standard to read all 'other information' in the EER report to identify material inconsistencies between the subject matter information included in the scope of the engagement and the other information that is not in that scope. If a material inconsistency or an unrelated material misstatement of fact in the 'other information' is identified, the practitioner is required to discuss this with the preparer and take further action as appropriate.

- ① Guidance on agreeing the scope of an EER assurance engagement is to be developed further in phase 2.

¹⁶ ISAE 3000 (Revised) paragraph A56

Chapter 4: Applying Appropriate Skills

- ① Guidance to be developed in phase 2.

Chapter 5: Exercising Professional Skepticism and Professional Judgment

- ① Guidance to be developed in phase 2.

Chapter 6: Considering the System of Internal Control

Introduction

58. To accept an assurance engagement, the practitioner is required to determine that the preparer has a reasonable basis for the subject matter information in the EER report as part of the precondition that the roles and responsibilities of the preparer are suitable¹⁷. The practitioner is also required to determine that they expect to be able to obtain sufficient appropriate evidence. Whether these preconditions are present may depend on the extent to which the entity's system of internal control is, in the practitioner's professional judgment, adequate to support those preconditions, taking into account the nature, extent and complexity of the underlying subject matter and criteria.
59. Entities producing EER reports typically implement gradual changes to their system of internal control to support such reporting as it becomes more established and formal. At an early stage, the system of internal control generally includes processes to collect and report the underlying data and information. As EER becomes more established for the entity, changes may be introduced to make the reporting process subject to specific control activities and greater governance and oversight, or to bring it more formally within the entity's risk assessment process and process to monitor the system of internal control. In considering engagement acceptance or continuance, practitioners may encounter entities at varying stages of development of their system of internal control.
60. Considering the entity's system of internal control may assist the practitioner in establishing whether the preconditions for an assurance engagement are present, as discussed above. The standard also requires the practitioner¹⁸:
- a) in a limited assurance engagement, to consider the process used to prepare the subject matter information, to enable identification of areas where a material misstatement is likely to arise; or
 - b) in a reasonable assurance engagement, to obtain an understanding of internal control over the preparation of the subject matter information, including evaluating the design of the controls relevant to the engagement and whether they have been implemented, to enable identification and assessment of the risks of material misstatement.

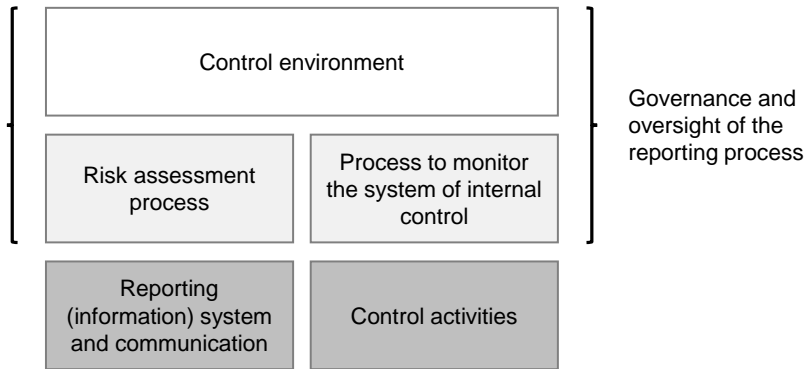
¹⁷ This would be the responsibility of the measurer or evaluator in circumstances where this role is distinct from the responsible party – see the Appendix to ISAE 3000 (Revised).

¹⁸ ISAE 3000 (Revised) paragraphs 46L, 46R, 47L and 47R

61. Having a highly sophisticated or developed system of internal control is not a precondition for an assurance engagement. The guidance in this chapter mainly relates to considering the system of internal control in relation to the preconditions. It may also assist the practitioner in meeting the requirements referred to in paragraph 60. Separate considerations for the practitioner relating to the overall engagement strategy, including whether to test controls or to obtain evidence solely from substantive procedures, are discussed further in paragraphs 78 and 79.

Understanding the Entity’s System of Internal Control

62. An entity’s system of internal control typically has five inter-related components¹⁹:



63. The level of sophistication of the reporting (information) system and communication and the control activities components may vary according to the size and complexity of the entity, and the nature and complexity of the underlying subject matter and criteria. Similarly, the level of formality of the risk assessment process and the process to monitor the system of internal control may also vary for differently sized entities.
64. The ISAE 3000 (Revised) application material notes that “in some cases, a formal process with extensive internal controls may be needed to provide the [preparer] with a reasonable basis that the subject matter information is free from material misstatement”²⁰. Equally, in other circumstances, extensive internal controls may not be needed.
65. Some examples of aspects of the components of an entity’s system of internal control that a practitioner may consider in establishing whether the preconditions are present are given below. The three components shown in the top three boxes above (the control environment, the risk assessment process and the process to monitor the system of internal control) are considered together under the heading ‘governance and oversight of the reporting process’.
66. The examples are not meant to be an exhaustive list of aspects that may be appropriate for an entity. As noted above, some entities may require extensive internal controls and processes in order for the preparer to be able to take responsibility for the subject matter information being free from material misstatement. The practitioner may need to consider the engagement circumstances, including the size and complexity of the entity, when concluding whether the level of development of the system of internal control is adequate. Further guidance is given in paragraphs 72 to 74.

¹⁹ Based on ED-ISA 315 (Revised) paragraph 16(l)

²⁰ ISAE 3000 (Revised) paragraph A39

Reporting (Information) System and Communication

67. Policies, procedures and resources of the reporting (information) system and communication that the practitioner may consider are included below:

CONSIDERATIONS FOR THE PRACTITIONER	<ul style="list-style-type: none"> a) Processes to select or develop criteria, including a ‘materiality process’ if applicable (see Chapter 8), to identify the elements to be included in the EER report; b) Processes to select or develop criteria for the measurement or evaluation of the elements, including their presentation or disclosure; c) Processes to capture, record, process, correct and include in the EER report subject matter information about those elements; d) Records and source documentation to support the preparation of the subject matter information relating to those elements. These are ideally stored and accessible so that they can be used as evidence by the practitioner; e) Processes to prepare the EER report; and f) How the entity uses IT to support the above.
--	--

68. The preparation of EER reports is likely to involve the use of IT to collect or process the data. Entities may use complex IT applications, simple spreadsheets or paper-based records, or a combination of these. Identifying which tools are being used by the preparer to prepare the EER report may be an important part of the practitioner obtaining the understanding required by paragraphs 47L and 47R of the standard.

69. Further considerations may be necessary where information comes from an external information source. An external information source is an external individual or organization that provides information that has been used by the preparer in the preparation of the EER report. An example might be the results of an independent survey of customer satisfaction, or an external laboratory test of effluent quality from a production facility. A key consideration may be whether the criteria for measurement or evaluation used by the external information source are relevant because the resulting subject matter information would assist decision-making by the intended users. Determining this may require judgment, including taking account of the entity’s ability to influence the external information source.

Control Activities

70. Types of control activities that the practitioner may consider include:

CONSIDERATIONS FOR THE PRACTITIONER	<ul style="list-style-type: none"> a) Controls requiring segregation of duties between individuals involved in the reporting process, to the extent appropriate according to the size of the entity, for example between those preparing the information and those reviewing it; b) Controls to prevent the preparer inappropriately modifying underlying sources of data, information or documentation that the practitioner would use as evidence; c) IT controls to support any IT systems in being appropriately secure, robust, reliable and adequately maintained; and d) Controls to address management bias that may occur in the process to develop or apply the measurement or evaluation bases and other reporting policies.
--	---

Governance and Oversight of the Reporting Process

71. Aspects of the entity's governance and oversight of the process to prepare the EER report that the practitioner may consider may include:

CONSIDERATIONS FOR THE PRACTITIONER	<ul style="list-style-type: none"> a) Involvement of those charged with governance and senior management at appropriate stages throughout the reporting process; b) Approval of the EER report by those charged with governance or senior management, as appropriate; c) The establishment of a subgroup of those charged with governance, such as an audit committee, charged with oversight responsibilities for the preparation of the EER report (for larger entities); d) Those charged with governance or senior management, as appropriate, setting an appropriate 'tone at the top' to encourage high quality reporting processes and a high standard of ethical practices; e) Key decisions made by those charged with governance or senior management, as appropriate, being recorded in written documentation, for example in minutes of board meetings; f) Assignment of authority and responsibility for the process to prepare the EER report, and enforcement of accountability for meeting such responsibility; g) The process undertaken to identify, assess and address risks related to the reporting process; and h) The process in place to monitor the system of internal control, including monitoring the effectiveness of control activities and the process to identify and remediate deficiencies.
--	---

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Consideration of the Entity’s Size, Complexity and Nature

- 72. The level of formality required in terms of the entity’s system of internal control may largely depend on the entity’s size and complexity. A small and non-complex entity may not require formal documented policies or procedures in order for the preparer to meet their responsibilities. However, a larger or more complex entity such as a multi-national company may require more detailed and formalized control activities and processes supporting its external reporting.
- 73. The nature of the processes and records within the system of internal control may vary according to the size and complexity of the entity.

EXAMPLE	For reporting on employee diversity, it may be appropriate for a small entity with 25 employees to record and store this data on a simple spreadsheet managed by one member of staff. However, in the case of a large entity with 20,000 employees across the world, a much more sophisticated process managed by HR teams may be required, likely supported by an appropriate IT system, in order to collect, collate and store data that is accurate and complete.
----------------	--

- 74. Considering other factors that may affect the nature of the entity and its environment, for example its physical location, may assist the practitioner in considering whether the system of internal control is adequate for the practitioner to establish that the preconditions are present.

Response where the Preconditions are not Present

- 75. Where the practitioner establishes that the preconditions for an assurance engagement are not present, they may discuss this with the potential engaging party (management or those charged with governance). If changes cannot be made to meet the preconditions, the practitioner is not permitted to accept the engagement as an assurance engagement²¹.
- 76. If it is not possible to accept the assurance engagement, the practitioner may engage with the entity to undertake an assurance readiness assessment (see paragraphs 50 to 53 above). This may give the practitioner the opportunity to report their findings and conclusions on the system of internal control in a management letter to assist those charged with governance and senior management. The preparer may be encouraged to take steps to improve the controls and level of oversight such that an assurance engagement is possible in future.
- 77. In circumstances where the preparer has not met its responsibilities and the practitioner cannot decline the engagement due to its acceptance being required by law or regulation, the practitioner may need to consider whether it is necessary to express a qualified conclusion or disclaim a conclusion. An engagement conducted under such circumstances does not comply with ISAE 3000 (Revised). Accordingly, the practitioner shall not include any reference within the assurance report to the engagement having been conducted in accordance with ISAE 3000 (Revised) or any other ISAE(s)²².

²¹ ISAE 3000 (Revised) paragraph 25

²² ISAE 3000 (Revised) paragraph 25

EXAMPLE

A practitioner may be required by law to undertake an assurance engagement in relation to service performance information of a public sector entity, and may therefore not be able to decline the engagement.

Impact on Overall Engagement Strategy

- 78. The nature of the entity’s system of internal control may also affect the likelihood of material misstatements occurring and the practitioner’s strategy for designing appropriate assurance procedures, including tests of controls. Where the practitioner is unable to test controls, expects that the controls are not operating effectively, or it is not cost-efficient to test controls, the practitioner may adopt a fully substantive approach.
- 79. In other circumstances, the practitioner may need to obtain sufficient appropriate evidence that certain controls are operating effectively when other procedures cannot alone provide sufficient appropriate evidence²³, for example because substantive procedures are not possible or practicable due to the nature of the underlying subject matter or the source information.

Explanatory Memorandum

Draft Guidance

Contextual Information

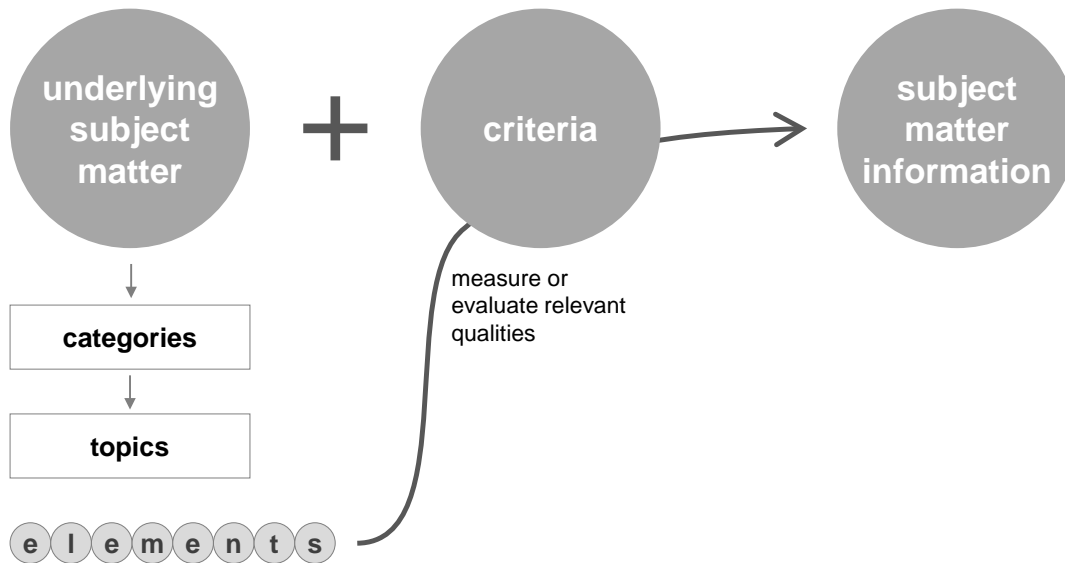
Credibility and Trust Model

²³ ISAE 3000 (Revised) paragraph 48R

Chapter 7: Determining the Suitability of Criteria

Introduction

80. Criteria determine the content of the EER report and its basis of preparation. In simple terms they may be reporting requirements from an EER framework or from the entity's own policies. More fully, criteria specify both:
- The identification of the nature and scope of the topics and related elements of the underlying subject matter to be represented in the EER report; and
 - The identification of the qualities of such elements to be measured or evaluated against the criteria to prepare the information to be included in the EER report, and the benchmarks to be used in measuring or evaluating those qualities.



ISAE 3000 (Revised) Definitions

Underlying subject matter	Criteria	Subject matter information
The phenomenon ²⁴ that is measured or evaluated by applying criteria.	The benchmarks used to measure or evaluate the underlying subject matter.	The information that results from applying the criteria to the underlying subject matter.

81. All assurance engagements have an underlying subject matter, which is related to the purpose and intended use of the EER report. Certain qualities of the underlying subject matter are measured or evaluated against the criteria. The underlying subject matter is required to be appropriate (see Chapter 3). The criteria may be applied at the level of the underlying subject matter as a whole but often are applied at the level of specific elements of the underlying subject matter or at the level of groups of particular types of such elements, when information about those specific elements or groups assists decision-making by the intended users. The terms 'categories' and 'topics' are sometimes used to describe such groups.

²⁴ The term 'phenomenon' is used in the standard in the sense of a 'thing' that is perceived or considered, rather than in the sense of something that is remarkable or rare.

82. The criteria specify how to identify, and measure or evaluate, elements, in the context of achieving the purpose of the EER report. The standard refers to the criteria as 'benchmarks'. In effect, they identify how to measure or qualitatively evaluate qualities of elements such that the resulting information assists decision-making by the intended users. They include, for example, the definitions of performance indicators, measurement or evaluation bases and other reporting policies, and more widely the whole basis of preparation of the EER report.

EXAMPLE	An illustration of these terms in a financial reporting context:			
	<i>Underlying subject matter</i>	<i>Elements Qualities</i>	<i>Criteria</i>	<i>Resulting subject matter information</i>
	Financial condition, performance and cash flows of Entity X.	<p>Economic resources (for example assets) and claims on those resources (for example liabilities), and transactions, other events and conditions (for example income, expenses or equity).</p> <p>The monetary value of such assets, liabilities, income, expense or equity.</p>	<p>The measurement bases and related disclosures set out in IFRS²⁵, and the entity's accounting policies as disclosed in the financial statements.</p>	<p>The accounting values in the primary financial statements and the related disclosures in the notes.</p>

EXAMPLE	A specific example to illustrate these terms from non-financial statement reporting:			
	<i>Underlying subject matter</i>	<i>Elements Qualities</i>	<i>Criteria</i>	<i>Resulting subject matter information</i>
	<p>Environmental, social and governance matters about Entity X.</p> <p>↓</p> <p>Social / human matters</p> <p>↓</p> <p>Staff diversity</p>	<p>Entity X's employees.</p> <p>The gender of those employees.</p>	<p>Requirement to report the number of employees of Entity X at a specific point in time, split by gender.</p>	<p>Gender A: 500 employees Gender B: 510 employees Gender C: 15 employees etc.</p>
	<p>In order to be suitable, the criteria in this example may need to be more specific, for example giving definitions of the gender categories and the term "employee". Details of how to measure the underlying subject matter by means of a formula may be necessary. In this example, details specifying whether contractors are employees, or how to treat part-time employees, may be needed.</p>			

²⁵ International Financial Reporting Standards

83. Criteria used in a particular assurance engagement (applicable criteria) can either be taken from an EER framework or be developed by the entity itself. In practice, many entities use criteria from one or more EER frameworks and supplement these with their own entity-developed criteria where an EER framework lacks the necessary detail or is not sufficiently comprehensive to comprise suitable criteria on its own (see also Chapter 8).
84. EER frameworks are often less prescriptive about the content of an EER report or methods to represent its subject matter elements compared to financial reporting frameworks, and are therefore less precise about the determination of these items. In financial reporting, criteria are typically well established, and are supported by accounting policies specific to the entity. Given the diverse nature of the underlying subject matter in EER, there may be considerable opportunity for management bias in determining the content of an EER report and the methods used to represent its subject matter elements. The practitioner may need to exercise considerable professional judgment and professional skepticism in determining the suitability of criteria in an EER assurance engagement.

Requirements for Suitable Criteria

85. As detailed in Chapter 3, it is a precondition for an assurance engagement that the practitioner determines that the applicable criteria are suitable, based on a preliminary knowledge of the engagement circumstances. The practitioner is further required to determine whether the criteria are suitable in planning and performing the engagement. When the scope of the assurance engagement is not a whole EER report, the criteria to be applied in the preparation of those parts of the EER report which are within the scope of the assurance engagement are subject to the suitable criteria precondition. Suitable criteria are required for reasonably consistent measurement or evaluation of an underlying subject matter within the context of professional judgment²⁶. Suitability is judged in the context of the engagement circumstances. Without suitable criteria, the subject matter information may be open to individual interpretation where there is undue subjectivity, increasing the risk of misunderstanding.
86. Suitable criteria are required to exhibit each of five characteristics. The descriptions of these characteristics specify attributes of the subject matter information that necessarily result from applying the suitable criteria²⁷. The practitioner is required to determine whether the criteria exhibit each of the five characteristics, which are²⁸:
- a) Relevance;
 - b) Completeness;
 - c) Reliability;
 - d) Neutrality; and
 - e) Understandability.
87. In addition to exhibiting each of these five characteristics, an overarching principle in the standard is that criteria developed by the entity would not be suitable if they result in subject matter information or an assurance report that is misleading to the intended users²⁹. It may therefore be logical to expect

²⁶ ISAE 3000 (Revised) paragraph A10

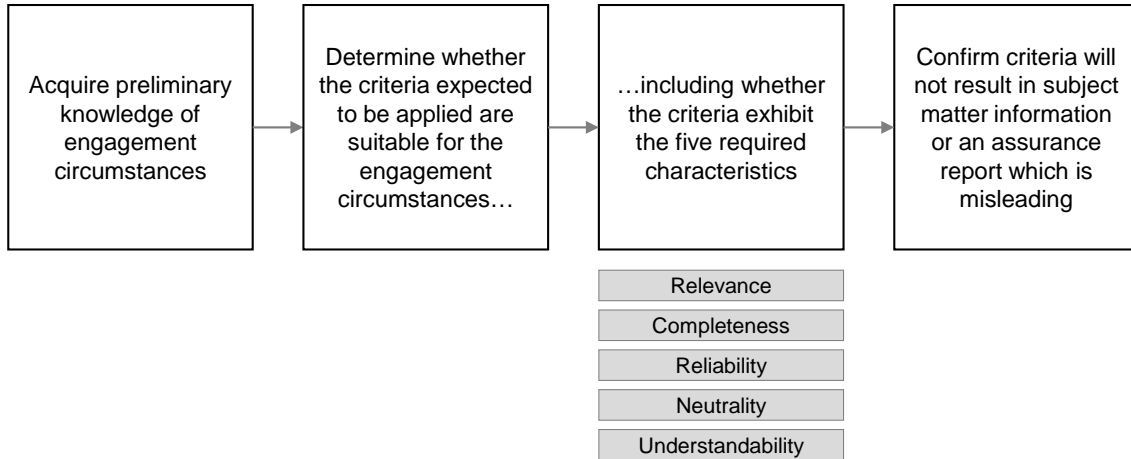
²⁷ ISAE 3000 (Revised) paragraph A45

²⁸ ISAE 3000 (Revised) paragraph 41

²⁹ ISAE 3000 (Revised) paragraph A50

that suitable criteria give rise to subject matter information that is not overly subjective (see paragraph 96).

88. The five characteristics are in many cases inter-related. Each must be exhibited in all cases, but the relative importance of each and the degree to which they are exhibited such that the criteria are suitable will vary according to the engagement circumstances.
89. The following diagram shows steps the practitioner may follow in determining the suitability of criteria:



90. The descriptions in the standard of each of the required characteristics for criteria³⁰, along with some factors the practitioner may find helpful to consider in determining whether the criteria are suitable, are set out in paragraphs 93 to 113 below.
91. The engagement circumstances may include use of an EER framework that implicitly or explicitly requires different or more specific characteristics of the applicable criteria than the five characteristics of suitable criteria required by ISAE 3000 (Revised). For example, characteristics such as comparability and conciseness (see paragraphs 100 and 104) may be seen as more specific aspects of understandability and relevance respectively.
92. Where an EER framework includes such additional or more specific characteristics of criteria, it is still necessary for the applicable criteria to exhibit each of the five required characteristics of suitable criteria. Many of the commonly-used EER frameworks use different terms to describe similar concepts to the five characteristics required by ISAE 3000 (Revised). Additionally, some 'qualitative characteristics' may be implicit in the reporting requirements rather than being explicitly identified in an EER framework.

Relevance

ISAE 3000 (Revised) paragraph A45(a)

Relevance: Relevant criteria result in subject matter information that assists decision-making by the intended users.

93. Considering relevance involves considering whether the criteria will result in subject matter information that assists intended users' decision-making in the context of the purpose of the EER report.

³⁰ ISAE 3000 (Revised) paragraph A45

94. Understanding how subject matter information could assist intended users’ decision-making may be approached by:
- a) Considering whether, and if so the extent to which, the preparer has:
 - i) Considered the general types of decisions that intended users are expected to take based on the purpose of EER report and whether the criteria would lead to the preparation of the information that would assist them in doing so; and
 - ii) Considered whether the applicable criteria would enable the preparer to identify the elements and their qualities, and changes in them, such that the resulting subject matter information would assist intended users’ decision-making in the context of the purpose of the EER report.
 - b) If the preparer has considered the matters in (a), evaluating the conclusions of the preparer on those matters; and
 - c) If not, asking the preparer to consider those matters, and if necessary considering whether the practitioner has a reasonable expectation of being able to address the matters in (a) directly.
95. Where entity-developed criteria are the result of a rigorous internal process, involving input directly from both the intended users and those charged with governance, they are more likely to be relevant.
96. Relevance of criteria (and hence whether the resulting subject matter information assists intended users’ decision making) may be affected by the inherent level of measurement or evaluation uncertainty in applying them in the circumstances of the engagement. When subject matter information is subject to high inherent measurement or evaluation uncertainty, the related criteria may be relevant only if they require additional supporting information about the nature and extent of the uncertainty.

EXAMPLE Information about a retailer’s reputation amongst its diverse customer base may assist investors’ decision-making in managing their investments. The company may develop criteria to measure customer perceptions of their reputation, for example by using a customer survey. The resulting measure is likely to reflect some degree of inherent uncertainty, as only a sample of customers are surveyed. If information about the nature and level of measurement uncertainty is not disclosed, investors may not find the survey results sufficiently useful to assist them in their decision-making. In such circumstances, the criteria may not be relevant. If the criteria required providing investors with more contextual information about the survey process and the level of precision achieved in measuring customer perceptions of their reputation (for example the sample size as a percentage of the total customers), this may help make the criteria relevant.

Refer also to discussion of ‘accuracy’ and ‘precision’ in paragraph 105 below, and further consideration of measurement uncertainty in paragraphs 227 to 229.

97. Suitable criteria identify qualities of elements and measurement or evaluation bases that, when properly applied to them, result in subject matter information that assists intended users’ decision-making. This is because suitable criteria must exhibit the characteristic of relevance. The practitioner considers relevance in determining whether the criteria are suitable. The degree of relevance of an applicable criterion is not binary. Instead, the degree to which it assists intended users’ decision-making may be considered to be on a scale that varies depending on the circumstances of the

engagement. Nevertheless, whether the criteria are relevant is a binary decision that the practitioner needs to make.

98. The concepts of relevance and materiality are not the same, although both refer to user decision-making. The concept of relevance is considered in evaluating the suitability of criteria, whereas materiality is considered by the practitioner in the context of potential and identified misstatements of the subject matter information. Materiality includes considering whether such misstatements could reasonably be expected to influence intended users' decision-making. It also includes considering whether the subject matter information is free from material misstatements made by the preparer in applying relevant criteria. Materiality is a threshold of significance to decision-making considered by the practitioner in relation to potential and identified misstatements, in the circumstances of the engagement.

EXAMPLE	<p><u>Financial reporting example:</u> For most companies, revenue for all classes of transactions would typically assist decision-making by intended users, by enhancing their understanding of the company's financial performance during the year, however in some circumstances a misstatement omitting the accounting value of revenue from a particular class of transactions from the company's reported revenue may not be <i>material</i>, if such omission could not reasonably be expected to influence intended user's decision-making based on the financial statements.</p> <p><u>EER example:</u> Information about total greenhouse gas emissions arising from a manufacturing company's activities may assist intended users' decision-making about the company's environmental impact, but a misstatement omitting, from the company's total reported emissions, information about emissions arising from its employees commuting to work might not be <i>material</i>. That may be the case, for example, if the omitted information was not sufficiently significant to influence intended users' decision-making, relative to information about the greenhouse gas emissions from the manufacturing activities of the entity.</p>
----------------	--

99. A further consideration is the requirements of the criteria to disaggregate or aggregate information as this may affect the context for materiality considerations for misstatements. EER frameworks do not always specify in detail the required level of aggregation or disaggregation (sometimes referred to as the unit of account). They may, however, include principles for determining an appropriate level in particular circumstances.
100. In many cases it may be useful to intended users if the criteria are consistent from one reporting period to the next to aid comparability. Where criteria change, disclosure of the change with an explanation of the reasons for the change may be expected for the criteria to be relevant in the year of the change. Information about the impact of the change, for example re-stating comparative information (where possible and cost-effective), may also be expected for the criteria to be relevant in the year of the change. However, in other circumstances, a temporary reduction in comparability may be appropriate to improve relevance in the longer term.
101. Criteria may be more relevant and comparable across entities if they are consistent with established measurement bases and benchmarks that are generally recognized to be valid in the context of the entity's industry or sector. However, there may be good reasons not to use such criteria, for example where the entity can develop more relevant criteria (that are also reliable), where permitted by the EER framework adopted and where those criteria are made available.

Completeness

ISAE 3000 (Revised) paragraph A45(b)

Completeness: Criteria are complete when subject matter information prepared in accordance with them does not omit relevant factors that could reasonably be expected to affect decisions of the intended users made on the basis of that subject matter information. Complete criteria include, where relevant, benchmarks for presentation and disclosure.

102. Criteria are required to be complete so that the intended user is able to make informed decisions by having access to subject matter information that does not omit relevant factors that are material in the context of the circumstances of the entity and the purpose of the EER report.
103. The application of complete criteria is expected to result in subject matter information that includes all relevant factors, including information that represents negative aspects of what is being reported on (also see 'neutrality' below).
104. There may be a need for a balance to be struck between an EER report being overly comprehensive and it still being concise enough to remain understandable.

Reliability

ISAE 3000 (Revised) paragraph A45(c)

Reliability: Reliable criteria allow reasonably consistent measurement or evaluation of the underlying subject matter including, where relevant, presentation and disclosure, when used in similar circumstances by different practitioners.

105. Reliable criteria are likely to result in subject matter information that is capable of reasonably consistent measurement or evaluation with the necessary degree of accuracy (such that it is free from error) and precision such that the criteria are also relevant. Accuracy is not the same as precision. Subject matter information can be sufficiently accurate if it is as precise as is reasonably possible, if it results from applying a well-defined process without undue error, and if it includes information about the inherent limitations in its precision.

EXAMPLE

A company may choose to report their market share. Management use a methodology they have developed to calculate this using their sales data and external data about their industry sector, including the financial statements of their main competitors. The calculation is unlikely to ever be completely precise as it involves estimating and making assumptions. However, if the methodology results in information that is as precise as is reasonably possible and therefore gives a fair indication of the company's market share, the practitioner may be able to conclude the criteria are reliable. It may be necessary for details of the methodology to be disclosed as part of making the criteria available to the intended users.

106. Reliable criteria may need to be based on strong definitions with little or no ambiguity, if the resulting subject matter information is to be capable of reasonably consistent measurement or evaluation.
107. Reliable criteria would typically be expected to result in subject matter information that is capable of being subjected to an assurance engagement because sufficient appropriate evidence can be obtained to support the assertions that the subject matter information contains. This requires the underlying data and source information to be sufficiently accurate and complete and for it to be

collected and processed in a manner that is neutral and maintains its integrity. Unsubstantiated claims in the subject matter information are unlikely to meet this requirement.

Neutrality

ISAE 3000 (Revised) paragraph A45(d)

Neutrality: Neutral criteria result in subject matter information that is free from bias as appropriate in the engagement circumstances.

108. Neutral criteria would normally be designed to cover both favorable and unfavorable aspects of the underlying subject matter being reported on, in an unbiased manner.

EXAMPLE

In relation to the results from an employee survey, neutral criteria may need to require reporting both the results from questions with favorable responses as well as those with less favorable ones, rather than selectively reporting only the ‘best’ results.

109. Criteria would not be neutral if they were changed or modified arbitrarily from one reporting period to the next to remove negative aspects of performance. Doing so also may not be consistent with the principle of comparability (which is an aspect of relevance).
110. A practitioner may need to be particularly careful to determine the suitability of entity-developed criteria and apply professional skepticism in evaluating the neutrality of these criteria due to the inherent risk of management bias.

Understandability

ISAE 3000 (Revised) paragraph A45(e)

Understandability: Understandable criteria result in subject matter information that can be understood by the intended users.

111. Understandable criteria typically result in subject matter information that will enable the intended users to identify readily the main points being made and to infer appropriately whether they are sufficiently significant to affect their decision-making. This is likely to be assisted by a clear layout and presentation of the subject matter information in a way that effectively summarizes and draws attention to these points.
112. The criteria ideally result in the EER report being coherent, easy to follow, clear and logical.
113. There may be a need for a balance between criteria that are sufficiently relevant and understandable. For example, criteria may require subject matter information to be at a sufficient level of disaggregation to assist decision-making by the intended users (relevance) while also being sufficiently concise to be understood by them.

Example

114. The following worked example shows how a practitioner could approach determining the suitability of criteria, including that the criteria exhibit the five characteristics:

EXAMPLE	<p>An EER framework may include criteria that require the entity to report “water intake in the reporting period”.</p> <p>Intake in the reporting period is a quality of the subject matter element ‘water’, a natural resource, that assists intended users’ decision-making. The commonly-used and well-understood measurement basis for water intake is volume, measured in units of liters.</p> <p>In determining whether the criteria are suitable, the practitioner may consider questions such as:</p>
	<ul style="list-style-type: none"> • Would the water intake information assist decision-making by the intended users? (relevance) <ul style="list-style-type: none"> ○ A consideration might be how significant water is to what the company does, although most companies are likely to use at least some water. Water intake may be more significant for a manufacturer than perhaps a software developer, or more significant when obtained from certain sources such as surface water or groundwater. It may be more significant for entities with operations in water-scarce regions than for those operating in regions where water is more abundant. ○ Answering this would require some knowledge of who the intended users are and what might assist their decision-making. ○ The purpose of the EER report may also be a consideration; water intake may be more likely to assist intended users’ decision-making when the purpose of the EER report is to describe the entity’s impact on the environment but may be less likely to assist intended users’ decision-making if the purpose is to describe the entity’s governance processes. • Do the criteria require everything about water (the subject matter element) that would assist intended users’ decision-making in the context of the purpose of this EER report to be disclosed? (completeness) <ul style="list-style-type: none"> ○ This indicator is only measuring water intake over a defined period. This may be the potential quality of interest to the intended users (rather than the water’s temperature or weight), but information about other qualities of water may assist intended users’ decision-making in other circumstances (for example water intake from specific sources such as surface water or groundwater over a defined period, or a water-quality indicator (such as dissolved oxygen) for water discharge or the water discharged to specific destinations). ○ There is an assumption that the criteria require reporting of all the water intake across the whole company and all of its sites. • Do the criteria provide a methodology for calculation that allows reasonably consistent measurement? (reliability) <ul style="list-style-type: none"> ○ This may be where the entity must supplement the reporting requirement to suit their specific circumstances.

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

- A company may calculate their water intake using water meters and collect readings at the beginning and end of the period. For municipal water this is information that would also be used for billing by the water company.
- Considerations for the practitioner may therefore be focused around completeness as explained above - whether this approach will cover all of the water intake by the company (for example considering if all water flows through a meter that data can be collected from).
- Other considerations may include when the water meters were last expertly calibrated, and on what days the readings are expected to be taken. Further consideration may be required if the methodology uses estimates and data required for doing so are not fully available. This may be the case where readings are not taken at exactly the start and end of the reporting period.
- In the case of water intake, measuring it in units of liters is likely to be appropriate. This is likely to make it possible to compare the information to other periods and entities, assuming that the calculation is straightforward.
- Will the criteria result in information that is free from bias? (neutrality)
 - There is unlikely to be significant risk of management bias if the information is based on water meter readings, however further consideration may be required if the calculation methodology is more complex or involves estimation, or if the water intake definition used by the entity is restricted to specific sources that have a lower environmental impact.
- Will the criteria result in information that can be understood by the intended users? (understandability)
 - In most cases, water intake would be easily understood, although the practitioner may need to consider whether the criteria result in the information being presented and disclosed appropriately in the EER report.

Established Criteria

115. Where criteria are:

- a) prescribed by law or regulation; or
- b) issued by an authorized or recognized body of experts that follow a transparent due process, and are relevant to the intended users’ information needs;

they are presumed to be suitable in the absence of indications to the contrary and are known as ‘established criteria’³¹. Where indications exist that the criteria may not be suitable, the practitioner may need to consider further whether the criteria are suitable.

116. Criteria contained in some commonly used EER frameworks are issued by global organizations that are recognized bodies of experts following a transparent due process, and criteria specified by these EER frameworks are often relevant to the intended users’ information needs. However, the often-

³¹ See ISAE 3000 (Revised) paragraph A49 for details of the definition of established criteria.

limited level of maturity or high-level approach used in developing criteria in such EER frameworks, including criteria prescribed by law or regulation, may mean that there are indications that such criteria, on their own, may not be suitable. Different EER frameworks specify the criteria to varying degrees of detail. Where the criteria in an EER framework are less detailed, for example where it does not specify detailed measurement or evaluation criteria, the practitioner may not be able to determine that the criteria are suitable, and the preparer may consider it necessary to develop more detailed supplementary criteria in the context of that entity and its report. The practitioner may then need to determine the suitability of the detailed criteria for measurement or evaluation that the entity has developed for use together with the overarching criteria in the EER framework.

117. The suitability of criteria is not necessarily related to their maturity or the entity’s experience of applying them. In the first few years of preparing EER reports, an entity may be developing and improving its reporting processes such that entity-developed criteria (potentially designed to supplement an EER framework) may change and evolve between reporting periods. Regardless of this, the practitioner uses professional judgment to determine whether the criteria are suitable each time an EER report is subject to an assurance engagement, including that they exhibit the five required characteristics.

EXAMPLE	Changes to criteria and measurement methods year-on-year may be expected for EER, particularly when an entity’s reporting processes are developing, and management are innovating year-on-year to improve their reporting. Such criteria may still be understandable and reliable if there is a reasonable basis for the change and it is sufficiently disclosed and explained in the EER report. Where an entity’s reporting is more mature, the rationale for changes to criteria might need to be stronger, and the explanation more detailed, to meet intended users’ expectations.
----------------	---

118. Where a preparer is using an EER framework that contains established criteria and chooses to modify or adjust those criteria with the result that they are different to what is commonly used in the entity’s sector, this may be an indicator of potential management bias and of a risk that the resulting subject matter information could be misleading to the intended users. In such circumstances, the practitioner applies professional skepticism in determining the suitability of the criteria, and in considering whether there is a reasonable basis for the change and whether the change is sufficiently disclosed and explained in the EER report. The more mature the type of reporting or the EER framework being used is, the less likely it is that changes made by an entity to measurement methods and related disclosures from commonly-accepted practice adopted by other similar entities will be appropriate. It may be desirable for the intended users to acknowledge that the entity-developed criteria are suitable for their purposes.

Availability of the Criteria

119. Criteria need to be made available to the intended users to enable them to understand how the underlying subject matter has been measured or evaluated. Paragraphs A51-A52 of ISAE 3000 (Revised) describe ways in which this can be done. A practitioner may evaluate the adequacy of the transparency of the criteria, considering whether the criteria have been disclosed with sufficient detail and clarity such that they are available.
120. The criteria may be made available outside of the EER report, for example if an established, publicly available EER framework has been used. In the case of entity-developed criteria, the entity may

choose to publish the criteria and reporting policies in a separate EER report or on its website, which is then cross-referred to as at a particular date in the EER report. This may be a preferable option where an EER report is intended to be concise.

121. The more familiar the intended users are with the type of reporting, the less likely it will be necessary to disclose detailed explanations of the reporting policies and measurement or evaluation methods, as these will be available by ‘general understanding’ to the intended users.

EXAMPLE

Measuring time in hours and minutes, or energy usage in kilowatt hours, is generally understood in a consistent way internationally due to scientific convention. Similarly, a preparer may assume that the intended users will understand greenhouse gas emissions measured in accordance with the Greenhouse Gas Protocol without providing full explanation due to its widespread acceptance and usage.

Consequences where Criteria are not Suitable or Available

122. Where, prior to accepting or continuing the engagement, the practitioner concludes that the applicable criteria are not suitable or will not be available, the practitioner cannot accept the engagement, unless:
- a) They are mandated to do so under law or regulation; or
 - b) The preparer makes the applicable criteria suitable and available to the practitioner’s satisfaction, allowing the engagement to be accepted; or
 - c) The scope of the assurance engagement can be restricted to one or more aspects of the underlying subject matter for which the criteria are suitable and available³², and the other preconditions (including that the engagement has a rational purpose) are present.
123. The practitioner is also required to determine whether the criteria are suitable in planning and performing the engagement. If it is discovered after the engagement has been accepted that some or all of the applicable criteria are unsuitable, the practitioner is required to follow the requirements of ISAE 3000 (Revised) paragraphs 42 and 43. In circumstances where the practitioner is mandated to accept the engagement under law or regulation but the criteria are not suitable or available, the practitioner would follow the same requirements in paragraphs 42 and 43 of the standard to express a qualified or adverse conclusion, or disclaimer of conclusion, as appropriate in the circumstances.

³² ISAE 3000 (Revised) paragraph A36

Chapter 8: Considering the Entity's 'Materiality Process'

Introduction

124. As the content of EER reports is generally less comprehensively specified in EER frameworks than in financial reporting frameworks, the practitioner may need to review the appropriateness of judgments made by the preparer to determine more comprehensively the appropriate basis of preparation of the content. EER frameworks commonly refer to these judgments as relating to 'materiality', but the focus of such judgments is effectively considering more comprehensive bases for preparing subject matter information (referred to as 'criteria' in the standard) that assists decision-making by intended users (such that the criteria exhibit the characteristic of relevance).
125. For example, the preparer may need to make such judgments where the criteria from an EER framework do not specify in sufficient detail what topics and related elements are to be included in the EER report. A process that a preparer undertakes to do so is commonly referred to as a 'materiality process'.
126. EER frameworks do not always provide direction for a preparer making such judgments. It can be challenging for both a preparer making these judgments and for a practitioner reviewing their appropriateness when both the intended users and their information needs can be diverse or even unknown. There will likely be a need for an entity's 'materiality process' to reflect the broader and more diverse user perspective often encountered.
127. Where criteria from an EER framework do not specify what topics and related elements would assist the decision-making of the intended users of the EER report, the criteria may not be considered to be suitable on their own as they may lack relevance or completeness. In undertaking a 'materiality process', the preparer is effectively extending and developing the criteria further such that they exhibit the characteristic of relevance and the resulting subject matter information assists the decision-making of the intended users (see paragraphs 83 and 84).

EXAMPLE

The reporting requirements in an EER framework may say that the entity needs to include a description of the principal risks and uncertainties facing it.

It is left to the preparer to identify the principal risks and uncertainties for their entity and information about them that would assist intended users' decision-making. In most cases, EER frameworks cannot make this identification as it will vary from entity to entity.

In order for the criteria to be suitable, in many cases the preparer may need to take the reporting requirement from the EER framework and then undertake a 'materiality process' to develop the relevance and completeness of the criteria further, such that applying them identifies the risks and uncertainties, and provides information about them, that assists intended users' decision-making.

EXAMPLE

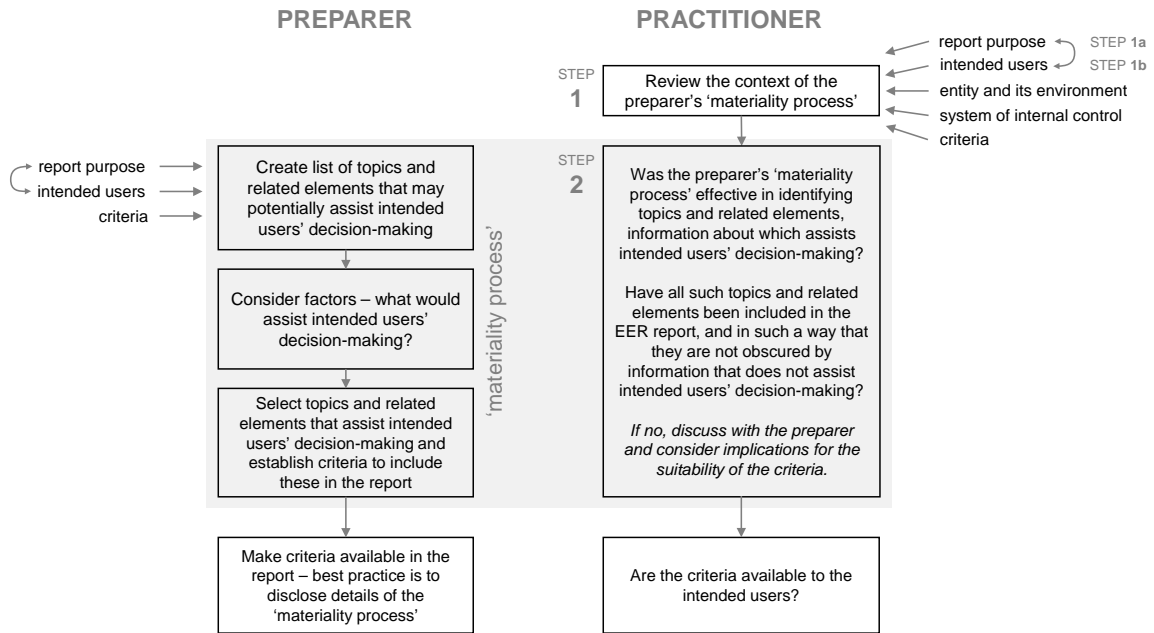
A different EER framework may require the disclosure of specific indicators, such as the time spent by its employees on training during the period, measured in hours. Detailed instructions on how to calculate this are provided.

In this case the criteria may already be suitable, and the preparer may not need to undertake a ‘materiality process’ because the EER framework-setter has already made a judgment about what the intended users want to know. This is common in reporting to meet specific regulatory requirements, but some generally applicable EER frameworks assess what indicators are likely to be relevant criteria for specific industry sectors, for example as in the Sustainability Accounting Standards Board (SASB) standards.

128. The practitioner may need to review an entity’s ‘materiality process’ as part of determining whether the criteria are suitable (see Chapter 7). The practitioner is also required to consider the process used to prepare the subject matter information in a limited assurance engagement, or to obtain an understanding of internal control over the preparation of the subject matter information in a reasonable assurance engagement³³. This may also involve reviewing an entity’s ‘materiality process’ where the preparer has undertaken one. Reviewing a ‘materiality process’ may also assist a practitioner to identify areas where a material misstatement of the subject matter information is likely to arise, or to identify and assess the risks of material misstatement in the subject matter information, as required in limited and reasonable assurance engagements respectively³⁴.
129. The extent to which the practitioner needs to review the appropriateness and outcomes of the entity’s ‘materiality process’ may depend on the scope of the assurance engagement, as it is more likely to be important where the assurance engagement covers a whole EER report than where the scope of the assurance engagement is only specific indicators. However, understanding such outcomes may also be an important consideration when agreeing the assurance scope for certain types of EER, and as part of determining whether an assurance engagement has a rational purpose.
130. Where applicable to the engagement, the flowchart below may assist the practitioner with reviewing the preparer’s ‘materiality process’. The steps a preparer might be expected to follow are provided on the left-hand side for reference. These are explained in this guidance to illustrate what the practitioner may expect when they come to review a ‘materiality process’. The suggested process for a practitioner is shown on the right-hand side of the diagram and then explained in the guidance paragraphs below. The guidance focuses on the ‘materiality process’ identifying the relevant criteria to determine the topics and related elements to include in the report, but a similar approach may be used to then identify relevant criteria for indicators or metrics about those topics and related elements.

³³ ISAE 3000 (Revised) paragraphs 47L and 47R

³⁴ ISAE 3000 (Revised) paragraphs 46L and 46R



Step 1: Review the Context of the Preparer’s ‘Materiality Process’

131. The practitioner may begin by reviewing the context of the preparer’s ‘materiality process’ including consideration of the:
- a) EER report purpose (step 1a);
 - b) Intended users (step 1b);
 - c) Entity and its environment;
 - d) System of internal control; and
 - e) Criteria (EER framework or entity-developed).
132. It would be helpful if a preparer documents their ‘materiality process’ and the decisions they have made so that it can be considered by the practitioner. In the absence of written documentation, the practitioner may be able to understand the preparer’s process through inquiry of the preparer. If the preparer has not undertaken an appropriate process to determine the content of the EER report, the practitioner may need to consider whether this suggests the preconditions for an assurance engagement are not all present.
133. Some EER frameworks may establish the EER report purpose and identify who the intended users are. Others may not specify this, leaving the preparer to make these determinations.
134. Where an EER framework is being used by a preparer, the practitioner may need to consider any direction on ‘materiality’ considerations included in the EER framework to determine whether the process undertaken by the preparer is appropriate.

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

EXAMPLE

When reporting on human rights in accordance with the United Nations Guiding Principles on Business and Human Rights, the ‘material’ topics are focused on risks to people impacted by the activities of an entity, not solely on the risks to the entity.

Some EER frameworks interpret what would assist intended users’ decision-making as things that may create a financial risk to the entity, for example the SASB conceptual framework says that “information is material if there is a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available”.

Other EER frameworks focus considerations about what would assist intended users’ decision-making on the effect an organization has on the economy, the environment or society. For example, the Global Reporting Initiative (GRI) determines that ‘material’ topics are those that reflect the organization’s significant economic, environmental and social impacts, or substantively influence the assessments and decisions of stakeholders.

135. The following paragraphs provide further guidance for how the practitioner may consider the EER report purpose (step 1a) and the intended users (step 1b). No further specific guidance is considered necessary in respect of considering the entity and its environment, the system of internal control or the criteria beyond what is included in ISAE 3000 (Revised).

Step 1a: Has the Preparer Adequately Identified the Purpose of their Report?

136. The purpose will be to report certain information about an underlying subject matter to a group(s) of intended users. A few examples of the EER report purpose might include:
- To report the entity’s impact on the natural environment
 - To describe the entity’s activities over a period and how they contribute to the entity’s objectives
 - To describe how the entity creates ‘value’
 - To inform the intended users of the financial position, financial performance and cash flows of the entity
 - To describe what the entity plans to do in the future, or how it expects to perform
137. The practitioner may need to consider the EER report purpose as context when considering the judgments made by the preparer.

Step 1b: Has the Preparer Adequately Identified the EER Report’s Intended Users?

138. In order to make criteria relevant, it may be important for the preparer to understand the general nature of decisions the intended users³⁵ are likely to take based on, or influenced by, the information in the EER report. The practitioner therefore may also use this as context when considering the judgments made by the preparer.
139. A distinction is made between intended users and stakeholders. A stakeholder in the entity may
- a) have a relationship and interactions with the entity, or

³⁵ The ‘intended users’ are defined by ISAE 3000 (Revised) as the individual(s) or organization(s), or group(s) thereof that the practitioner expects will use the assurance report (paragraph 12(m)).

- b) be directly or indirectly affected by the entity’s actions.

There may be circumstances where the stakeholders and intended users are not the same. Some stakeholders may only have influence or a voice through a third-party agent(s), whether they have chosen to be represented in this way or not. The agent(s) may then be an intended user of the EER report, and the stakeholder may not read or use the EER report themselves directly.

EXAMPLE A victim of child slavery involved in a company’s manufacturing supply chain (a stakeholder) would presumably not be in a position to read the company’s report, however their interests may be represented by a charity / politicians / lobbyists (agents) campaigning against child labor and using their position to influence the company’s customers.

140. A single EER report may have multiple groups of intended users, with potentially different information needs. An EER report cannot focus on the particular needs of each individual intended user, unless there is only a single intended user, however a preparer may need to consider where individuals within a group of intended users have common information needs.
141. The standard’s application material contains some further guidance, including that in some circumstances where there are a large number of possible users, it may be necessary to limit the intended users to “major stakeholders with significant and common interests”³⁶. This might be useful, subject to any particular requirements in the EER framework, where EER reports are published without specifying the intended users, effectively for the benefit of global society.

EXAMPLE An EER report prepared by a state-run hospital on its clinical performance might have users including:

- Government – needs to know whether citizens are being provided with adequate healthcare and whether resources are being used efficiently.
- Groups of patients (current or potential), the general public and the wider world – want to know whether the hospital is available to provide care to the community, playing its role in controlling diseases, and if it is clinically safe.
- Cancer patient – self-interest about whether the hospital has the capabilities to treat them successfully.

In this example, the top two user groups might be the intended users, but the individual patient might not be.

142. Different intended user groups may have different information needs or attitudes; something that assists decision-making by one group of intended users may be trivial to another.
143. Merely reading the information in the EER report is a valid use by intended users; the outcome may be that they make a decision to take no action based on the information reported. They would still have a legitimate need for the information to assist them in reaching that conclusion and so relevance does not depend on intended users taking action based on the reported information.
144. Some examples of possible user groups are included in the table below – this is not intended to be an exhaustive list, but it could be considered by a preparer as a starting point for identifying the

³⁶ ISAE 3000 (Revised) paragraph A16




Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

intended users of their EER report by potentially selecting some from the below table and adding entity-specific user groups. It is not necessary for a preparer or practitioner to create a detailed list of the intended users – the aim is to have an awareness of the broad groups of intended users as context in making judgments in a ‘materiality process’.

Example user groups		May influence decision making or be affected by the entity in these areas:
<p>Wider society</p> <ul style="list-style-type: none"> • NGOs / civil society organisations / special interest groups • Members of the public • Researchers, academics • Competitors and other market participants • Vulnerable groups 		<ul style="list-style-type: none"> • Change in the natural environment where they live • Change in lifestyle or quality of life as a result of the entity’s activities • Trading negotiable instruments (in an emissions trading scheme) • Financial decisions (eg. investing) in other entities • Influences the activities of other entities & individuals, including managing natural resources
<p>Governments, regulators and legislators</p> <ul style="list-style-type: none"> • Parliaments and legislators • National, regional and local government • Global organisations • Regulators 		<ul style="list-style-type: none"> • Law and policy making • Monitoring compliance with laws and regulations • Providing national resources (public sector) • Accountability • Decision making on behalf of vulnerable groups
<p>Investors and economic stakeholders</p> <p>Existing and potential:</p> <ul style="list-style-type: none"> • Investors • Suppliers • Customers • Employees • Lenders • Share markets 		<ul style="list-style-type: none"> • Buy or sell equity in the entity • Lend to the entity • Transact business with / use services of the entity • Matters relating to being employed by the entity • Stewardship • Shareholder voting decisions • The entity’s use of their data and personal information

Step 2: Review Selection of Topics and Related Elements to Include in the EER Report

145. Taking into account the EER framework(s) used, the purpose of the EER report and the intended users, a preparer may often create a list of topics and related elements that assist intended users’ decision-making in the context of the underlying subject matter. A preparer may do this in multiple stages, filtering an initially longer list of possible topics and related elements to end up with those that are considered to assist decision-making by intended users.
146. Criteria about topics and related elements are likely to be relevant if the information resulting from applying them contributes to decision-making by the intended users and achieves the purpose of the EER report.

Considering Interest to the Intended Users

147. To consider whether something would assist decision-making by intended users, one approach is to consider whether it is of interest to the intended users.
148. The information that would be of interest to intended users may be expected to be reasonably (but not absolutely) aligned with what would assist their decision-making. This could reflect the extent to which the intended users perceive something will impact their own interests in the context of the purpose of the EER report.
149. If considering whether something is of interest to intended users, examples of circumstances that might increase its relevance include:
 - a) It is likely to cause investors to buy or sell equity in the entity

- b) It is likely to change the entity’s share price or enterprise value
- c) There has been media coverage relating to it, or disclosure of it would likely result in media interest (local / national / global)
- d) There have been a large number of complaints relating to it (for example from customers, suppliers or other stakeholders)
- e) It has been mentioned unprompted by several stakeholders
- f) There is a high level of wider societal interest in it, or particularly high levels of public sensitivity

EXAMPLE

A few examples in some circumstances might include human rights issues, corruption, amounts of tax paid in jurisdictions of operation, and executive remuneration.

- g) It is known to be an area of interest of stakeholders based on the preparer’s prior experience and awareness
- h) It relates to an area of interest in the industry that may be widely reported by peers and competitors in the entity’s sector
- i) It relates to (non-)compliance with laws, regulations, international agreements, or voluntary agreements with strategic significance to the organization and its stakeholders

Considering ‘Impact’

150. When it is not possible to evaluate sufficiently what would assist intended users’ decision-making by identifying directly what would be of interest to them, an alternative or supplementary approach is to consider the significance, in the context of the purpose of the EER report, of the subject matter elements (whether they represent ‘conditions’ or ‘causes of change’) on the entity’s performance (in achieving its strategic objectives) or its impact on other entities. This approach is sometimes referred to as considering ‘impact’.

‘Other entities’ could include individuals, organizations, wider society or the environment as is appropriate in the context of the purpose of the EER report. The impacts could occur either directly due to the actions and decisions of the reporting entity’s management, indirectly through relationships of the reporting entity, or by the direct or indirect effect of forces external to the reporting entity.

EXAMPLE

A company may be responsible for regularly releasing a large volume of pollutants into a river. There may be direct impacts on the environment, and perhaps on local communities using the river for fishing or a water supply. There could also be indirect impacts on the company itself, perhaps through loss of revenue from customers unhappy with the company’s attitude towards damaging the environment as well as direct impacts such as the cost of clean-up or fines from authorities.

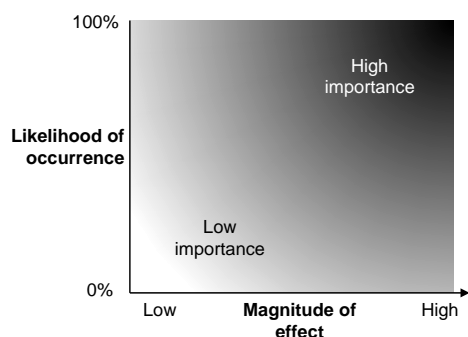
151. If considering the anticipated impact, examples of circumstances that might increase its relevance include:

- a) It has major risks or opportunities for the entity (including reputational, affecting the entity’s license to operate)

- b) It has direct material financial implications (as determined by financial statement materiality thresholds)
- c) It has, or will potentially have, a major effect on the entity's operational performance
- d) It has, or will potentially have, a major effect on other entities' operations or activities
- e) It has resulted, or will potentially result, in major direct irreversible damage to natural resources or the environment
- f) It relates to strategic opportunities for the entity to boost competitive position
- g) It relates to key organizational values, policies, strategies, operational management systems, goals and targets of the entity or its stakeholders

Other Considerations

152. Some preparers present the results of their analysis of topics and related elements that, in the context of the purpose of the EER report, would be of 'interest to intended users' and that would have 'impact' on a scatterplot, which positions such topics and related elements in terms of their 'interest to intended users' and their 'impact', on separate axes.
153. The judgments made in positioning such topics and related elements on each axis may be influenced by considering both the likelihood of such topics and related elements existing or occurring, and the magnitude of their significance, in terms of their 'interest to intended users' or 'impact' (as a proxy for considering the relative potential of information about such topics and related elements to assist intended users' decision making), if they were to exist or occur. Consideration of both likelihood and magnitude, and the importance of their potential to assist intended users' decision-making, may be illustrated on a diagram:



- a) If something is certain or factual, its likelihood of occurrence is at the maximum level and the magnitude is the only variable.
 - b) The likelihood assessment may take into account whether a matter is inside or outside the control of the entity or management.
154. The chosen timescale being considered in terms of impact or interest to the intended users is often also an important consideration. These may not be consistent, for example some intended users may be more interested in matters manifesting over the short-term (perhaps for an investor with a short-term intended investment period), and less interested in matters that will have a significant impact on the entity in the longer-term, and vice-versa.

EXAMPLE

An example to illustrate this might be an entity owning a factory on low-lying coastal land. Rising sea levels are expected to mean the factory site is unusable in five years' time. As there will be no impact for the next five years, this information may not assist decision-making by an intended user with a short-term interest in the entity (for example an investor expecting to invest for three years). Information about the issue may however assist decision-making by a bank who has issued a loan secured on the factory site maturing in ten years' time. The preparer must decide the appropriate timescale and make sufficient disclosure of this in the EER report.

155. Stakeholder engagement activities can be an important part of a preparer identifying such topics and related elements. An open dialogue with stakeholders may give better results than passive interaction or asking them to comment on an existing list of topics and related elements, however there may be a need to adequately inform stakeholders about the entity and its activities to enable them to engage effectively with the process.
156. Criteria about topics and related elements are likely to be complete if the information resulting from applying them does not omit relevant factors about such topics and related elements. In evaluating the completeness of the criteria, a practitioner could use some of the following sources:
 - Discussions with management and those charged with governance
 - Previous reporting by the entity
 - Reporting by peers and competitors
 - Strategy documents prepared by the entity
 - Survey results (of the entity, peers or the industry)
 - Interviews with stakeholders, outreach activities, stakeholder engagement
 - Web and social media searches
 - Global megatrends
 - Sustainable Development Goals
 - Agendas and minutes from board or senior management meetings and committees
 - Risk assessments
157. The practitioner may make the following key judgments in considering the relevance and completeness of the criteria used by the preparer in selecting topics and related elements to include in the EER report:

CONSIDERATIONS FOR THE PRACTITIONER

Was the preparer's 'materiality process' effective in identifying topics and related elements, information about which assists intended users' decision-making?

Have all such topics and related elements been included in the EER report, and in such a way that they are not obscured by information that does not assist intended users' decision-making?

158. In doing so, the practitioner uses professional judgement and professional skepticism to evaluate the preparer's decisions and may focus particularly on how the preparer decided to include or exclude items and the reasons for their decisions.

Dealing with Confidential Information

159. Criteria that permit non-disclosure in the EER report of information about topics and related elements that might assist intended users' decision-making, on the basis that it is confidential or would potentially damage the entity's reputation, may not be sufficiently relevant or complete. Such criteria may, however, be considered sufficiently relevant and complete in certain circumstances, for example in extremely rare circumstances where the adverse consequences of disclosure would reasonably be expected to outweigh the public interest benefits of such communication. If non-disclosure of the confidential information is not permitted by the applicable criteria, such non-disclosure would ordinarily be treated as a misstatement, and the materiality of this misstatement would then be considered as per the guidance in Chapter 12. The practitioner would then respond accordingly if the misstatement is material and may need to consider the implications for the assurance report. There may also be rare circumstances where law or regulation precludes public disclosure of information by either the preparer or the practitioner, for example something that might prejudice an investigation into an actual, or suspected, illegal act.

Considering Topics and Related Elements Collectively

160. It may be appropriate not just to consider the relevance and completeness of criteria for selecting topics and related elements individually as there may be circumstances where information about multiple topics or related elements may in aggregate contain relevant factors, even when information about such topics or related elements individually does not.

EXAMPLE	Information about members of staff leaving may not, on its own, assist intended users' decision-making, neither might be information about a few customer complaints or the termination of two supplier contracts. However, if when combined, information about these events turn out to be related and indicates serious problems with the entity's senior management, information about such events may assist decision-making by the intended users in the context of those problems.
----------------	--

Other Information

161. Some information in an EER report may not result from criteria that are suitable or available. In many cases, this information may be of little consequence and may be unlikely to influence decision-making by the intended users.
162. Where the information does not result from any criteria, the practitioner may consider this to be 'other information' and would then follow the requirements in paragraph 62 of the standard.
163. If the information results from applicable criteria that are not suitable or not available, at least one of the preconditions for an assurance engagement would not be present, and the practitioner follows the requirements in paragraphs 42 and 43 of the standard if this is discovered after the engagement has been accepted.



Disclosure of the ‘Materiality Process’

164. Intended users are likely to find it helpful in understanding the criteria, to also understand any ‘materiality process’ the preparer uses in developing the criteria. Accordingly, a practitioner may consider it appropriate to encourage a preparer to disclose details of their ‘materiality process’ (either in their report, or elsewhere such as their website), giving details of what has been included in the EER report and what has been left out.

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Chapter 9: Performing Procedures and Using Assertions

Introduction

165. Assertions are a tool that may be used by a practitioner in performing risk assessment procedures and to assist in designing assurance procedures to obtain evidence about whether the subject matter information has been prepared in accordance with the criteria, or is misstated. If used, they are a way for the practitioner to consider the different types of potential misstatements that may occur.
166. ISAE 3000 (Revised) does not specifically require the practitioner to use assertions, and it therefore does not prescribe or identify specific assertions to be used, as these may vary from one engagement to another depending on the underlying subject matter and the criteria. However, a practitioner may use assertions in both reasonable assurance engagements and limited assurance engagements.

The Nature of Assertions

167. Assertions are defined in certain IAASB standards as:

“Representations by [the measurer or evaluator], explicit or otherwise, that are embodied in the [subject matter information], as used by the [practitioner] to consider the different types of potential misstatements that may occur.”³⁷

168. The proper application of the applicable criteria necessarily results in many individual representations, explicit or otherwise, that are embodied in the subject matter information by the preparer. The application material in IAASB standards that address certain types of underlying subject matter indicates categories into which assertions relating to such underlying subject matter may fall, and ways in which those categories may be expressed³⁸.
169. For example, the applicable criteria may require that the preparer includes in the subject matter information defined measures and disclosures about defined types of elements. Proper application of the criteria implies a representation that the subject matter information includes all such measures and disclosures about all such elements, i.e. that the related subject matter information is ‘complete’. Similarly, proper application of the criterion also implies a representation that those measures and disclosures have been accurately measured or developed, i.e. that the related subject matter information is ‘accurate’.
170. Proper application of criteria is likely to result in representations that many different aspects of the subject matter information are ‘complete’ in different ways (representations that address ‘completeness’) or ‘accurate’ in different ways (representations that address ‘accuracy’). These two types of representations are respectively referred to as categories of assertions that are expressed as ‘completeness’ and ‘accuracy’ in the IAASB standards that address assertions³⁸.
171. Categories of assertions are analogous to what is sometimes known in EER frameworks as ‘guiding principles’ for, or ‘qualitative characteristics’ of, the information to be included in an EER report.
172. Assertions are used by the practitioner at the level of the categories into which they fall rather than at the level of detailed assertions about aspects of the subject matter information. These categories correspond with the types of potential misstatements that may occur. For example, for an assertion that falls into the category of completeness, the corresponding type of potential misstatement is an omission.

³⁷ ISA 315 paragraph 4(a) and ISAE 3410 paragraph 14(b)

³⁸ ISA 315 (Revised) paragraph A129 and ISAE 3410 paragraph A82

173. For the avoidance of doubt, the term ‘assertions’ is used in this guidance consistent with the definitions of assertions in certain IAASB standards³⁷, in the context of their use by the practitioner to consider the different types of potential misstatements that may occur, and to design assurance procedures accordingly. They are conceptually different from the ‘written representations’ that may be obtained from the preparer in accordance with paragraphs 56 to 60 of the standard. The term ‘assertions’ is also not used in this guidance in the sense that the preparer may ‘assert’ something by writing it in their EER report.

Identifying Categories of Assertions that may be Used

174. The categories of assertions that may be used by the practitioner in an EER assurance engagement result from the requirements of the applicable criteria. If the criteria are suitable, subject matter information resulting from their proper application will have attributes consistent with the attributes of subject matter information resulting from criteria that exhibit the five required characteristics of suitable criteria. This is because the characteristics of suitable criteria are defined in terms of the attributes of the resulting subject matter information. Chapter 6 of this document describes the attributes of subject matter information resulting from criteria that exhibit those characteristics (relevance, completeness, reliability, neutrality and understandability). For example, the proper application of criteria that exhibit ‘completeness’ requires representations that are of a type that assert that the subject matter information is ‘complete’.
175. The criteria, whether from an EER framework or developed by the entity itself, may also have characteristics other than the required characteristics of suitable criteria. Such characteristics may imply attributes of the resulting subject matter information of types other than those implied by the characteristics of suitable criteria. The assertions required by entity-developed criteria may be more likely to result from representations about the subject matter information required implicitly, rather than explicitly, by such criteria.
176. Taken together, categories of assertions that result from representations about the subject matter information implied by the characteristics of suitable criteria and categories of assertions that result from other characteristics of the applicable criteria, are the categories of assertions that the practitioner may use in the assurance engagement.
177. Some examples of categories of assertions that may be used in EER engagements include:
- | | | |
|--------------------|---|---|
| a) Accurate | } | related to the required ‘reliability’ characteristic of suitable criteria |
| b) Free from error | | |
| c) Connectivity | } | related to the required ‘relevance’ characteristic of suitable criteria |
| d) Consistency | | |
| e) Cutoff | | |
| f) Existence | | |
| g) Occurrence | | |
| h) Presentation | } | related to the required ‘understandability’ characteristic of suitable criteria |
| i) Classification | | |

This is not intended to be an exhaustive list, nor is it expected that all of these examples might apply to a single engagement. The categories of assertions in the list are not in any particular order. It may be considered that some or all of these are more detailed categories of, or are related to, the categories of assertions required by one of the five characteristics of suitable criteria. If so, it may not be necessary to identify these as separate categories of assertions.

178. The category of assertions that address neutrality (or ‘freedom from bias’) may be considered in combination with other categories of assertions in considering the potential types of misstatements that may occur. For example, the practitioner may consider whether there may be a type of misstatement of the ‘completeness’ assertion in the resulting subject matter information due to preparer bias in deciding which topics and related elements should be addressed in the EER report. Similarly, a practitioner may consider whether there is a type of misstatement of the ‘accuracy’ assertion in the resulting subject matter information due to preparer bias in measuring elements that require subjective judgments.
179. Assertions may be used to consider the types of misstatements that may occur at different ‘units of account’. The practitioner may design appropriate procedures to test for misstatement of the assertions for appropriate units of account, in the context of the criteria.

EXAMPLE

Subject matter information about a quality of an element could in some cases be provided for a class of elements that have similar characteristics (for example the average time taken to rectify multiple minor breaches of water quality regulations following their discovery), or in other cases it may be appropriate to provide such information for an individual element (for example a single major breach of water quality regulations that caused a community’s water supply to be cut off).

180. The practitioner may need to design procedures that include ‘standing back’ and considering whether there are categories of assertions about, and therefore potential types of misstatement of, the EER report as a whole. A situation may arise where each individual piece of subject matter information is free from material misstatement, but the overall message is misleading or biased. This is one example of how assertions may apply at different levels or units of account in the EER report.

Using Categories of Assertions

181. ISAE 3000 (Revised) requires the practitioner to form a conclusion about whether the subject matter information is free from material misstatement³⁹, which may be expressed as whether the subject matter information is prepared, in all material respects, in accordance with the applicable criteria.
182. When designing procedures, a practitioner may begin by considering the categories of assertions about the subject matter information that result if the applicable criteria were applied appropriately and the corresponding types of potential misstatements that may have occurred if they were not applied appropriately. The practitioner may then design procedures to test whether the subject matter information is misstated with respect to the identified assertions. If the assertions are not misstated, this provides evidence that the information is properly prepared in accordance with the applicable criteria.
183. As in a financial statement audit, a single procedure or test may be designed to test whether subject matter information exhibits more than one assertion. Decisions on the extent and nature of

³⁹ ISAE 3000 (Revised) paragraph 65

procedures that the practitioner plans to perform may be informed both by the nature of the assertions being tested and by the practitioner’s assessment of the risks of material misstatement of that assertion (in a reasonable assurance engagement).

Types of Misstatement

184. The assertions allow the practitioner to consider the different types of potential misstatements that may occur, as when an assertion is not present in subject matter information, the information is misstated. Some examples of different types of possible misstatement include:
- a) Omission of information (failure of a ‘completeness’ assertion)
 - b) False claims in information (failure of an ‘existence’ or ‘occurrence’ assertion, or of a more general ‘free from error’ assertion)
 - c) Misleading or unclear representation of information (failure of an ‘understandability’ or ‘presentation’ assertion)
 - d) Bias in information so that positive aspects of performance are focused on and negative aspects are omitted (failure of a ‘neutrality’ or ‘presentation’ assertion)
185. If a practitioner identifies a misstatement, they are required to make a judgment as to whether the misstatement is material, which will then determine the appropriate action. Refer to Chapter 12 for more guidance.

① Guidance on performance materiality is to be developed in phase 2.

Chapter 10: Assuring Narrative Information

Introduction

186. Narrative information is commonly understood to be subject matter information expressed predominately using words, although numbers may still be included. The information is typically qualitative rather than quantitative.
187. Narrative information in EER reports may be:
- a) factual (directly observable and therefore more readily captured by the reporting system); or
 - b) inherently subjective (not directly observable and susceptible to being more reflective of, and more variable with, the views of those reporting it).

EXAMPLE	Examples of purely factual narrative subject matter information:
	<ul style="list-style-type: none"> • “An audit committee comprised of non-executive directors was established in the year” • “We bought a factory in Canada”
	Examples of subjective narrative subject matter information:
	<ul style="list-style-type: none"> • “We produce healthy food for children” • “Our impact on the environment is minimal” • “We have successfully implemented flexible working throughout the organization”
	These particular examples of subjective narrative subject matter information may be overly vague and unsubstantiated such that it is unlikely that the criteria would be reliable, and hence it may be difficult to obtain assurance over them.

188. Narrative information that is not factual is subject to management judgment and may be more susceptible to management bias. The key challenge in relation to narrative information is how to address the inherent subjectivity and increased risk of management bias and to manage potentially unrealistic expectations that the practitioner can reduce the degree to which the subject matter information is affected by inherent subjectivity.

Specific Considerations for Determining the Suitability of Criteria

189. Subject matter information expressed in words may result from criteria representing different qualities of the subject matter elements compared to numerical subject matter information or metrics, however the requirements for criteria to be suitable remain the same.
190. Reliable criteria for narrative information may need to be well-defined and therefore reasonably unambiguous so as to allow reasonably consistent measurement or evaluation of the underlying subject matter.

EXAMPLE

In applying criteria requiring an entity to report the aspects of its strategy that will help it achieve its principal objectives, an entity may report that such an aspect is its policy to prioritize providing high standards of service to its customers. The criteria behind this information appear to be insufficiently defined as the information is ambiguous (hence the criteria may not be reliable because the resulting subject matter information may not result from reasonably consistent evaluation of the underlying subject matter). It is unclear whether the criteria require the entity merely to disclose that it has such a policy in place (either formally written or not), or that its behavior complies with that policy or that the policy is effective in helping it achieve its objectives.

191. It is particularly important for narrative information that the criteria result in subject matter information that is understandable (including being unambiguous as to its intended meaning) and neutral, as subject matter information in narrative form may be at particular risk of failing to exhibit these characteristics. This is often because words can be inherently ambiguous in their meaning and definitions. Most importantly, the criteria cannot result in subject matter information that is misleading to the intended users⁴⁰.

EXAMPLE

The criteria require an entity to report its principal achievements in the year. A simple statement such as “We won the award for Best Company of the Year” could be technically free from error, but still be misleading if:

- The award relates to the company’s operations in only one small jurisdiction and not the whole company.
- The award was not awarded by a well-recognized and respected body, independent to the company.
- The award was not the result of a fair competition, for example if not all companies were eligible.

In such circumstances the practitioner may need to consider whether the criteria define the concept of a ‘principal achievement’ in sufficient detail, for example, addressing matters such as the scope of the company’s operations addressed by the award, the standing of the awarding body, or the scope of eligibility for the award, to be understandable, and whether the criteria should require disclosures about such matters for the resulting subject matter information not to be misleading and therefore for the criteria to be suitable.

Specific Considerations for Using Assertions & Testing Narrative Information

192. Different assertions may be applicable or more important for narrative information compared to numerical subject matter information, however this will depend on the criteria being used. Even in situations where the same assertions are applicable, there may be more focus on assertions such as understandability and comparability for information in narrative form.
193. When testing narrative information, it may be necessary to break up long pieces of text and consider sections, paragraphs or sentences separately where these talk about different things. It is likely that different assertions will be applicable to each.

⁴⁰ ISAE 3000 (Revised) paragraph A50

194. Individual claims or indicators in the subject matter information can be individually significant and can be tested separately, particularly where it is part of wider sections of narrative information (not all of which might be as significant). In other circumstances a paragraph of text comprising related information may need to be considered together.
195. Practical methods of doing this may include highlighting the text in different colors or by drawing boxes around sentences or sections of significant narrative information. The practitioner can then test each one, and ultimately the assurance working papers can be referenced to the related parts of the text in the subject matter information.

EXAMPLE	<p>Below is an example of information that may be included in an EER report. The sentences have been numbered in brackets. For this example, assume the criteria included a requirement to report “the water intake by the company in the reporting period, the change from the previous reporting period, and an explanation for the change”.</p>
	<p>“(1) Water is needed to support all life, and yet it can be a scarce resource in some parts of the world, requiring us to use water responsibly for all our operations.</p>
	<p>(2) We monitor the water we use across all our sites for manufacturing, cooling, sanitation and landscaping, so that we can develop effective approaches to conserve water. (3) In 20X8, our water intake was 400 million gallons; an increase of 5 percent on the previous year. (4) This was mainly caused by growth in manufacturing across all our sites.”</p>
	<p>Sentence (1) is vague and may be unsubstantiated. It does not directly relate to what the criteria require as described above, and hence may be considered to be ‘other information’. Most readers may not pay much attention to it, and hence it is unlikely to warrant the practitioner’s attention unless it is clearly incorrect or misleading.</p>
	<p>Sentence (2) is more specific to the entity, more factual and less subjective, however again it does not address the criteria. The practitioner may be able to confirm if it is a true statement easily (and hence whether it is not misleading), perhaps from existing knowledge or work.</p> <p>Sentence (3) contains quantitative information that, along with sentence (4), is likely to be the focus of the practitioner’s testing and work effort. The practitioner may accordingly highlight it or draw a box around it, and reference supporting workpapers where the testing is documented.</p> <p>Sentence (4) is an explanation that may fulfil the requirements of the criteria if it is accurate, complete and free from bias. The practitioner may attempt to corroborate this with data on manufacturing levels.</p>

196. Purely factual narrative subject matter information is more straightforward to test for misstatement (by direct observation) than subjective narrative subject information. In this case, the practitioner’s primary focus may be on whether the subject matter information is correct or incorrect (free from error assertion), although other assertions such as completeness and neutrality may also be a consideration.
197. More judgement may be required by a practitioner to test assertions for subjective narrative subject matter information. This is because the information cannot be directly observed, and its preparation is the result of an indirect process that the practitioner would then verify. Whether the subject matter

information is neutral and free from bias may become more of an area of focus for the practitioner due to the subjectivity. As noted in paragraph 178, neutrality may be identified as a separate assertion or as an aspect of other assertions.

Specific Considerations for Evaluating Misstatements

198. Evaluating whether misstatements in subject matter information in narrative form are material may require use of the materiality considerations in Chapter 12 as numerical thresholds are not appropriate.
199. When evaluating a misstatement within narrative subject matter information, whether factual or subjective, the same considerations may be used to conclude whether the misstatement is material, focusing on whether the misstatement could reasonably be expected to influence decision-making by the intended users.
200. As with any other misstatements, the practitioner may encourage the preparer to correct them. In the case of narrative information, this may frequently involve either re-wording or removing the misstated text.

① Further guidance in relation to obtaining evidence in relation to narrative information is to be developed in phase 2.

Chapter 11: Assuring Future-Oriented Information

Introduction

201. EER may contain a variety of different forms of future-oriented subject matter information, which may fall into one of these categories:
- a) Information predicting future conditions or outcomes. This may include forecasts, projections, and information about future risks and opportunities.
 - b) Information regarding the entity’s intentions or future strategy.
202. In all cases, the subject matter information will be the result of applying criteria to the underlying subject matter, which require description of the future state or condition, or a future change in state or condition over time, of a subject matter element.

EXAMPLE

If the subject matter element was a forest under the control of the entity, the subject matter information might describe a forecast of the expected average growth of the trees over the next five years (future change in state over time), or the expected average height of the trees in five years’ time (future state).

The subject matter information might also describe the future risks of disease affecting the forest (which would change the future condition of it), or the entity’s future intentions to chop down parts of the forest (again changing the future condition of it).

203. Future-oriented subject matter information may describe:
- a) things that will be subsequently observable; or
 - b) hypothetical things that will never be observable.

For subsequently observable future-oriented information, it will be possible at a later point in time to observe the precision with which the forecast, projection, prediction, or intention reflected the subsequent reality, or the extent to which anticipated and unanticipated future risks or opportunities materialized. Hypothetical information includes a condition on the projection, prediction or intention. For example, a projection could be made, conditional on an entity winning a particular contract, that the entity’s profit would increase 5% next year.

EXAMPLE

The difference between observable and hypothetical subject matter information is illustrated by the difference between a forecast and a projection (as based on definitions in ISAE 3400⁴¹, paragraphs 4-5):

A **forecast** is prepared on the basis of assumptions as to future events that management expects to take place and the actions management expects to take as of the date the information is prepared (best estimate assumptions).

A **projection** is based on hypothetical assumptions about future events and management actions that are not necessarily expected to take place, or a combination of hypothetical and best estimate assumptions. Such information illustrates the possible consequences as of the date the information is prepared if the events and actions were to occur. This may be known as a scenario analysis.

204. As with narrative information, some future-oriented information is factual and therefore does not contain any degree of uncertainty, for example the debt maturity profile of an entity that is determined by contractual terms. An alternative example is where future-oriented information is repeated from an external source (for example, a central bank's inflation forecast), as the claim being made by the preparer is likely to only be that it is in a third party's information, which itself is verifiable.

As performing an assurance engagement on this type of information is not considered to pose a particular challenge for a practitioner, the remainder of this chapter of the document only considers future-oriented information subject to estimation uncertainty, referred to as subjective information.

Specific Considerations for Determining the Suitability of Criteria

205. Future-oriented information results from applying criteria to the underlying subject matter, just like any other subject matter information. However, the criteria will ask different questions about the subject matter elements, often asking for description of the future state or condition of the element, or a future change in state or condition over time (see paragraph 202 for an example).
206. Whether the criteria from which future-oriented information results are suitable or not can be determined in the same way as any other criteria as described in Chapter 7.
207. For subjective future-oriented information, the criteria may need to require detailed description of the assumptions and the nature, sources and extent of uncertainty in order to be suitable. It may still be possible to obtain assurance over uncertain subject matter information if it is supported by adequate disclosure such that the uncertainty is adequately conveyed to the intended users.

Specific Considerations for Using Assertions and Testing Future-Oriented Information

208. Assertions for future-oriented subject matter information are likely to be similar to historical subject matter information with inherent measurement or evaluation uncertainty, and therefore the guidance in Chapter 9 is broadly applicable. Where future-oriented information is more subjective, assertions such as neutrality may become more of the focus for testing due to the risk of management bias. Presentation or understandability assertions may also be a focus where good disclosure of assumptions and the context of subjective information is necessary.

⁴¹ International Standard on Assurance Engagements (ISAE) 3400 (Revised), *The Examination of Prospective Financial Information*

209. Where criteria require a statement of intended future strategy, a target, or other intentions of an entity, the explicit material assertion that a practitioner can test is whether management or those charged with governance have an intention to follow that strategy or that the target or intention exists (existence assertion). Appropriate evidence could be obtained in the form of documentation of board meetings or actions that management have already taken to work towards adopting the strategy or agreeing the target. There is likely to be a further implied assertion that the entity has the capability to carry out its intent, or will develop the means to do so, or there may be separate explicit criteria addressing capability. A practitioner is ordinarily not in a position to ‘predict the future’ to obtain assurance on whether the intended outcomes of a strategy or a target will be achieved or not.
210. Similarly, where criteria require information about future risks and opportunities to be reported, the assertions to be tested will likely include that the risks and opportunities exist (existence assertion) and that the list of risks and opportunities is complete (completeness assertion) with respect to the risks and opportunities which would assist intended users’ decision-making. The completeness assertion may be tested by reference to the entity’s risk register or records of discussions of those charged with governance. The existence assertion is closely related to the underlying subject matter needing to be identifiable (see paragraph 48). A practitioner is ordinarily not able to obtain assurance on whether the risks and opportunities will materialize or not, however it may be possible in some circumstances to obtain assurance on information about the nature of the risks and opportunities, for example their likelihood or potential impact. Whether this is possible will depend on whether the exact criteria are suitable and the availability of appropriate evidence. A common challenge is that the likelihood of and potential impact of risks and opportunities can change significantly and quickly due to factors that may be unknown by the entity or outside of its control.
211. Subject matter information predicting future conditions or outcomes (for example, forecasts, projections and predictions) relates to events and actions that have not yet occurred and may not occur, or that have occurred but are still evolving in unpredictable ways. As above, the practitioner is ordinarily not in a position to ‘predict the future’ and express an assurance conclusion as to whether the results or outcomes forecasted, projected or predicted will be achieved or realized. The practitioner may instead focus on whether any assumptions are reasonable and that the subject matter information has been properly prepared in accordance with the applicable criteria.
212. The practitioner may need to consider that while evidence may be available to support the assumptions on which the future-oriented subject matter information is based, such evidence is itself generally future-oriented and, therefore, speculative in nature, as distinct from the evidence ordinarily available in relation to historical events and conditions.

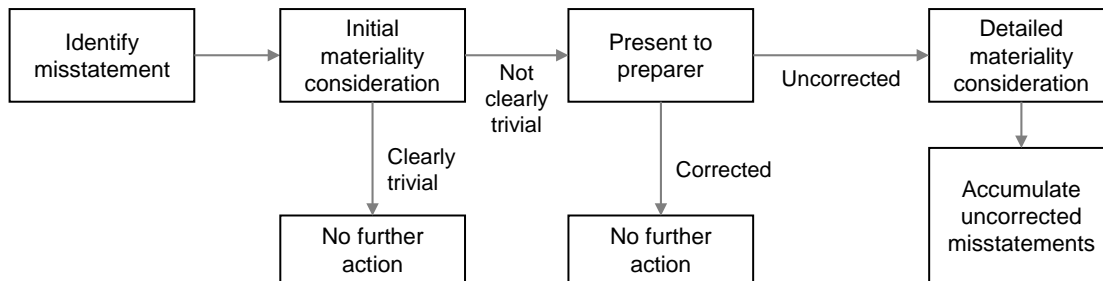
① Further guidance in relation to obtaining evidence in relation to future-oriented information is to be developed in phase 2.

Chapter 12: Considering the Materiality of Misstatements

Introduction

213. If during the assurance engagement the practitioner identifies a misstatement within subject matter information included in the EER report for material topics and related elements, the practitioner is required to make a judgment as to whether the misstatement is material.
214. Misstatements may need to be evaluated in different ways given that subject matter information in EER takes such a variety of forms (for example quantitative and qualitative, different units of account).
215. For parts of subject matter information that are quantitative (for example a KPI expressed in numerical terms), the starting point for materiality decisions is to establish materiality thresholds, often by using a percentage⁴². If the EER framework specifies a percentage threshold for materiality, it may provide a frame of reference to the practitioner in determining materiality for the engagement.

Practitioner Responsibilities



216. Having identified a misstatement, the practitioner may consider whether it is clearly trivial or not. Where the misstatement is not clearly trivial, depending upon the circumstances of the engagement, the practitioner may present it to the preparer who then has the opportunity to correct the misstated information. The practitioner may also consider whether the nature of the misstatement may indicate that other misstatements may exist in other parts of the EER report.
217. If the preparer does not want to correct the misstatement, the practitioner may need to undertake a more detailed consideration of whether the misstatement is material, and may take into account the considerations below.

Materiality Considerations

218. Below is a series of ‘materiality considerations’ that a practitioner may use when considering materiality initially or in a detailed manner. They are examples of matters that could assist a practitioner in considering whether a misstatement is material. Misstatements are generally considered to be material if they could reasonably be expected to influence relevant decisions of intended users⁴³. Therefore, the practitioner takes into account the extent to which the intended users could reasonably be expected to make a different decision if the subject matter information was not misstated. The considerations below are not exhaustive; ultimately, professional judgment will be required to conclude based on the specific circumstances.

⁴² There are instances where this would not be appropriate, perhaps where the number is often very small (for example, number of fatalities).

⁴³ ISAE 3000 (Revised) paragraph A94

219. A misstatement is more likely to be material if:

Underlying subject matter

- a) The misstated subject matter information relates to an aspect of the underlying subject matter that has been determined as being particularly significant (material).

External factors

- b) The misstated information relates to non-compliance with a law or regulation, particularly where the consequence for non-compliance is severe.

EXAMPLE

An instance of non-compliance with an important regulation that attracted a large fine is more likely to be material than one where there was no significant penalty.

- c) The misstated information relates to underlying subject matter that has implications for a large number of the entity's stakeholders.

Nature of the subject matter information

- d) It is a key performance indicator known to be used by intended users that is misstated, perhaps that is commonly used to compare the entity to its peers.
- e) It is in information reporting performance in relation to a target or threshold, where the magnitude of the error is comparable to the difference between the actual outcome and the target.

EXAMPLE

One of the performance targets determining a Chief Executive's bonus is achieving a customer satisfaction score of 75% or higher. The reported achieved score was 77% however this was found to be overstated by 3 percentage points, meaning the target was actually not met. It is likely that the misstatement in these circumstances would be material.

If however, the target was 90%, the misstatement may be considered to be immaterial as the target was not reported to be achieved even though the score was incorrect.

- f) The misstated information is reporting a significant change in a previously reported position, or a trend that has reversed.

Presentation

- g) It is a presentational misstatement that has arisen from subject matter information being misleading and the wording that has been used lacks clarity such that it could be interpreted in widely different ways. Accordingly intended users might make different decisions depending on their interpretation.

Preparer's behavior

- h) The misstatement has arisen as a result of an intentional act by the preparer to mislead.
- i) The preparer is reluctant to correct the misstatement for reasons other than they consider it immaterial.

220. The majority of the considerations listed as examples in paragraph 219 may apply to both quantitative and qualitative information. For information that is quantitative, the factors can be used to set the materiality thresholds, which determines what level of error will be tolerated. For qualitative information, the factors similarly help a practitioner decide whether a misstatement is material based on the level of sensitivity of intended users' decision-making to such a misstatement.
221. Knowing the context may be important before making materiality judgments – for example understanding the objective or purpose of the disclosure, and how the criteria intended the underlying subject matter to be measured. The practitioner can then consider whether (i) the disclosure is consistent with the objective, and (ii) whether it is clear and understandable.

Accumulating Misstatements

222. After considering misstatements individually, the practitioner may need to consider misstatements in combination with others. The practitioner is unlikely to be able to accumulate misstatements and consider them together in the same way as a financial statement audit for an EER report comprising diverse and varied underlying subject matter. However, the practitioner may still need to consider whether there are misstatements of assertions that relate to the EER report as a whole (such as criteria relating to presentation of the EER report), where such criteria apply in the context of the engagement.
223. The practitioner is required to accumulate all the uncorrected misstatements identified during the engagement, other than those that are clearly trivial⁴⁴. This can be documented on a schedule so that the uncorrected misstatements can be considered collectively. While it will not be possible to add up non-numerical misstatements, or those relating to different elements, it may be possible to group the misstatements according to the elements in the EER report. Alternatively, the misstatements could be grouped according to the type of misstatement or the assertion that was not present. Misstatements of subject matter information in narrative form may need to be concisely described.
224. It may be helpful for the practitioner to give each of the misstatements a rating (for example, low / medium / high) to indicate the significance of the misstatement, particularly where the misstated subject matter information is in narrative form. The criteria may give further guidance in this area.
225. It may be appropriate for the practitioner to consider whether the misstatements identified affect any other parts of the EER report (both those parts within and outside of the assurance engagement scope) and look for any contradictions or inconsistencies.
226. The practitioner is required to form a conclusion about whether the subject matter information is free from material misstatement⁴⁵, including whether the uncorrected misstatements are material, individually or in the aggregate. Where the subject matter information is materially misstated, the practitioner follows the requirements in ISAE 3000 (Revised) paragraphs 74 to 77.

Measurement or Evaluation Uncertainty

227. When measurement or evaluation uncertainty means there is inherent variability in subject matter information, this does not affect materiality considerations. Higher measurement or evaluation uncertainty also may not necessarily lead to an increased risk of misstatement.

⁴⁴ ISAE 3000 (Revised) paragraph 51

⁴⁵ ISAE 3000 (Revised) paragraph 65

228. Subject matter information with inherent variability may be sufficiently accurate if it is as precise as it reasonably can be and information about the inherent uncertainty is also disclosed. Supporting disclosures can give important context necessary to help the intended users understand the uncertainty. Without this, the criteria might not be suitable, and the subject matter element may not be represented appropriately.
229. When the uncertainty is not inherent, it may give rise to misstatements, perhaps because the preparer has not used the information available to measure or evaluate the underlying subject matter as precisely as would be possible.

Chapter 13: Preparing the Assurance Report

- ① Guidance to be developed in phase 2.

Appendix 1

The Ten Key Challenges

The IAASB issued a discussion paper in 2016 titled *Supporting Credibility and Trust in Emerging Forms of External Reporting*. This identified 'Ten Key Challenges' for a practitioner applying ISAE 3000 (Revised) to assurance engagements over EER. In response to broad agreement from respondents, those challenges have formed the content of this guidance, as explained in the [project proposal](#). The challenges were as follows, along with the corresponding chapters of guidance in this document:

1. Determining the Scope of an EER Assurance Engagement Can Be Complex (Chapter 3)
2. Evaluating the Suitability of Criteria in a Consistent Manner (Chapter 7)
3. Addressing Materiality for Diverse Information with Little Guidance in EER Frameworks (Chapters 8 and 12)
4. Building Assertions for Subject Matter Information of a Diverse Nature (Chapter 9)
5. Lack of Maturity in Governance and Internal Control over EER Reporting Processes (Chapter 6)
6. Obtaining Assurance with Respect to Narrative Information (Chapter 10)
7. Obtaining Assurance with Respect to Future-Oriented Information (Chapter 11)
8. Exercising Professional Skepticism and Professional Judgment (Chapter 5)
9. Obtaining the Competence Necessary to Perform the Engagement (Chapter 4)
10. Communicating Effectively in the Assurance Report (Chapter 13)

As this guidance is being developed in two phases, approximately half of the issues relating to the challenges have been addressed in phase 1, with the remaining issues due to be addressed in phase 2.

As explained in Chapter 2, this document only provides guidance for some parts of ISAE 3000 (Revised) corresponding to those areas where the discussion paper identified the greatest challenges for a practitioner.

BACKGROUND AND CONTEXTUAL INFORMATION ON UNDERSTANDING HOW SUBJECT MATTER INFORMATION RESULTS FROM MEASURING OR EVALUATING SUBJECT MATTER ELEMENTS AGAINST THE CRITERIA

Introduction

1. The information in this document explains how subject matter information in an EER report results from a preparer measuring or evaluating subject matter elements against the applicable criteria. This information is intended to provide context to practitioners in applying the draft guidance. It explains general concepts underlying EER reports, as a form of subject matter information, and how these relate to key assurance concepts reflected in ISAE 3000 (Revised), in particular the concepts of criteria and subject matter elements which are discussed in the first part of [Chapter 7](#) of the draft guidance.
2. Much of the material below relates to the role of a preparer of such EER reports, rather than to the role of a practitioner. However, an appropriate understanding of the nature of the preparer's role in preparing an EER report, and how it relates to assurance concepts, is likely to assist practitioners in performing effective EER assurance engagements.
3. Where possible, the explanations of general concepts in this section draw comparisons between EER and more established forms of reporting, as well as comparing and relating how these general concepts appear in some major EER frameworks.

Understanding the Terms Used

4. ISAE 3000 (Revised) defines subject matter information as the outcome of the measurement or evaluation of the underlying subject matter against the criteria, that is, the information that results from applying the criteria to the underlying subject matter. It also defines criteria as the benchmarks used to measure or evaluate the underlying subject matter, and the underlying subject matter as the phenomenon that is to be measured or evaluated against the criteria.
5. These definitions are or contain various 'terms of art' that are used widely in ISAE 3000 (Revised) and in the International Framework for Assurance Engagements: subject matter information – measurement or evaluation – underlying subject matter – criteria – benchmarks – phenomena.
6. The concept of an assurance engagement is essentially a generalization of the concept of a financial statement audit, in which equivalent terms used might be:
 - The entity's financial statements (subject matter information)
 - Measurement, valuation and estimation (measurement or evaluation)
 - The reporting entity's financial position and performance (underlying subject matter)
 - Financial reporting standards and accounting policies (criteria)
 - Measurement, recognition, presentation and disclosure bases (benchmarks)
 - Elements of the financial statements: the reporting entity's economic resources and claims against the reporting entity (i.e. assets, liabilities and equity) and the effects of transactions and other events and conditions that change those resources and claims (i.e. income and

expenses) ([economic] phenomena, which may be referred to as the elements of the financial statements).

7. More commonly in the context of an EER assurance engagement, equivalent terms used might be as follows (where “EER” might be replaced by terms such as “Sustainability”, “Integrated”, “Non-financial”, “Annual”, “Environmental, Social and Governance” or “Strategic”):
 - The entity’s [EER] report (subject matter information)
 - Measurement or estimation and assessment or appraisal (measurement or evaluation)
 - The entity’s economic, environmental, social or governance state, condition, prospects, performance or impact (underlying subject matter)
 - [EER] Reporting Framework or Standards and reporting policies (criteria)
 - Metrics or measurement protocols (benchmarks)
 - The entity’s economic, environmental, social or governance resources, claims and relationships, and the entity’s actions or activities, and other events and conditions, that cause such states, conditions or prospects to change (performance) or that cause other entities’ states, conditions or prospects to change (impact) ([EER] phenomena, which are referred to in this guidance as subject matter elements)

Understanding the Nature and Role of Criteria

8. Criteria specify both:
 - a) the identification of the nature and scope of the topics and related elements of the underlying subject matter to be represented in the EER report (which are dealt with in definitions, underlying concepts and reporting boundaries); and
 - b) the identification of the qualities of such elements to be measured or evaluated against the criteria to prepare the information to be included in the EER report, and the benchmarks to be used in measuring or evaluating those qualities.
9. Criteria establish the basis of preparation for the EER report. At its most simplistic, a subject matter element may be described in the EER report by measuring or evaluating a quality of a subject matter element and reporting the value of that measurement or the outcome of that evaluation in the EER report, together with how the measurement or evaluation was made.
10. Appropriate subject matter elements are identifiable (they can therefore be distinguished from other subject matter elements). However, as in financial reporting, subject matter elements may be measured or evaluated individually or collectively (for similar items) at different ‘units of account’, depending on what is relevant to the information needs of the intended users.

EXAMPLE

An apple is an individual item, distinct from all other individual apples and from all other individual fruits etc. It has several distinct parts: ‘pips’; ‘flesh’; ‘skin’; and ‘stalk’. It may also be a part of ‘a fruit basket’ that contains other individual fruits. Depending on the hypothetical information needs of the intended users, an EER report may be prepared on the apple, or its parts, or the fruit bowl by measuring or evaluating relevant qualities of the apple, its parts or the bowl against benchmarks and including the resulting information in the EER report.

11. Another way of thinking about criteria is that they embody the questions that need to be addressed when evaluating or measuring a subject matter element.

EXAMPLE	<p>If the subject matter element was a machine in a factory some questions that might underpin the criteria and, in brackets, the resulting subject matter information, include:</p> <ul style="list-style-type: none"> a) When was the machine built? (expression of time) b) Where is the machine? (expression of location) c) What color is it? (expression of a quality) d) What is the maximum number of widgets it can produce in an hour? (expression of a capability to act so as to cause change) e) What is the actual number of widgets produced in the last year? (expression of performance or outcome of an action that causes change) f) What is its accounting value at a point in time? (expression of a quantity or measurement) g) What has been the change in value over the last year? (expression of the outcome of a change in the machine's state or condition) h) How did the change in value happen? (expression of the cause of a change) i) Why have the directors decided to sell the machine? (expression of the intent of an action to cause a change)
----------------	--

EXAMPLE	<p>Another example of an element might be a river next to a company's factory that it has access to. Questions that might underpin the criteria include:</p> <ul style="list-style-type: none"> a) Where is the river? (expression of location) b) How much water flows through the river? (expression of characteristic) c) How polluted is the river in terms of the chemical composition of the water? (a measurement) d) How has the water quality changed over a period of time? (expression of change in condition) e) What is the impact of the factory on the water quality of the river? (explanation of cause of change in condition)
----------------	--

12. The criteria can be selected or developed in a variety of ways, for example, they may be⁴⁶:
- a) Embodied in law or regulation
 - b) Issued by authorized or recognized bodies of experts that follow a transparent due process (for example, GRI or SASB standards)
 - c) Developed collectively by a group that does not follow a transparent due process

⁴⁶ ISAE 3000 (Revised) paragraph A48

- d) Published in scholarly journals or books
- e) Developed for sale on a proprietary basis
- f) Specifically designed for the purpose of preparing the subject matter information in the particular circumstances of the engagement
- g) A combination of the above

Understanding the Nature of Qualities

13. A quality (such as color) is an aspect of a subject matter element. Individual subject matter elements may exhibit a quality in different ways (an item's color may be red, yellow, blue, etc.).

EXAMPLE

An apple may be described as red or green or brown, which are different ways that a quality called 'color' can be exhibited by an item. Some qualities may be modified by another quality. For example, color can be modified by qualities known as a tint, tone or shade.

14. A quality may describe aspects of a subject matter element such as:
- *where, when, or how* it is deployed or occurs
 - *what* its nature is, *what* its relations to other subject matter elements are, or *how many* of the elements there are or *how much* of the quality (if quantifiable) it exhibits
 - *how* it can cause a change, *how* it can be changed by a cause or *what* the effect on it is, of a cause of change.

Understanding the Nature of Evaluation and Measurement of Subject Matter Elements

15. Preparing subject matter information involves evaluating or measuring relevant qualities of relevant subject matter elements. Evaluation involves comparing the particular way in which a subject matter element exhibits a relevant quality with benchmarks that represent the known ways in which that quality can be exhibited. Those benchmarks are defined by the criteria. Such a comparison yields a classification of the subject matter element elements, by reference to the known ways in which the quality can be exhibited. Such a classification provides information about the qualities of the subject matter elements evaluated or measured, which could be answers to the types of questions about such elements referred to in the preceding paragraph.
16. Measurement is a special case of evaluation, in which the benchmarks used are standardized quantities or measures. In other cases, the benchmarks for evaluation are given category labels, such as letters, numbers, nouns, adjectives or adverbs. Some such non-quantitative benchmarks have no natural ordering (e.g., red, blue, yellow), whilst others may have different degrees of natural ordering (e.g., small, medium, large).
17. When making a measurement, the measuring instrument may be physical (a meter) or a defined process. In either case, the instrument must be aligned with the standardized measure (a process known as calibration).
18. There are different types of standardized measures but they are all based on a clearly specified point of reference, which has a defined relationship to a unit of measurement that is sufficiently

precise for its purpose. For physical qualities, like length and time, the point of reference is usually a reference example of the quality that can be observed consistently in a well-defined particular subject matter element, in well-defined circumstances (e.g. a meter of length is defined as the distance travelled by light in a vacuum, in a specified fraction of a second of time).

19. In other circumstances, the quality to be measured may be a concept that is not directly observable or measurable. This is often the case in the fields of social and economic knowledge (e.g. intelligence is a quality that cannot be observed or measured directly, and economic value is not always observable or measurable directly).
20. In such cases, a generally accepted measurement model is needed, which may be used to measure the benchmarks or the way the quality is exhibited by a particular subject matter element. Such a model is generally based on a well-defined concept that defines observable indicators of the quality, standards for the measurement or evaluation of such indicators, and a mathematical or logical process that generates repeatable measures when applied.

EXAMPLE

Intelligence tests are designed to obtain measures or indicators of the quality 'intelligence'. Standard measures of intelligence are defined by sufficiently precise estimates of the distribution of measures of individual intelligence across a relevant population. These estimates are inferred from the results (scores) of a defined intelligence test (measuring instrument) taken by a sufficiently large sample of members of the population.

Accounting values are measured in currency units, but currency units may be used to measure different concepts of value. The benchmarks used for accounting value measurements that are not directly observable may be values that can be observed in historical outcomes of similar items, in defined circumstances that correspond with the accounting value concept being used (the measurement basis). Those benchmarks may be used to calibrate a defined measurement model (method) that uses data and assumptions about defined indicators of the accounting value (valuation attributes) and a defined process (method) to make measurements of the defined accounting value.

21. In practice, measurement instruments have an inherent limit of precision in their ability to discriminate differences in measures. The limit of precision possible is established by the smallest difference in quantity that can be discriminated using the instrument. For example, on a meter or ruler the smallest measurement that can be discriminated is determined by the closeness of the hatch marks. When the measurement instrument is a process, the degree of precision will be affected by inherent limitations in available data and knowledge to make measurements, which requires the use of assumptions.

FOUR KEY FACTOR MODEL FOR CREDIBILITY AND TRUST IN RELATION TO EER

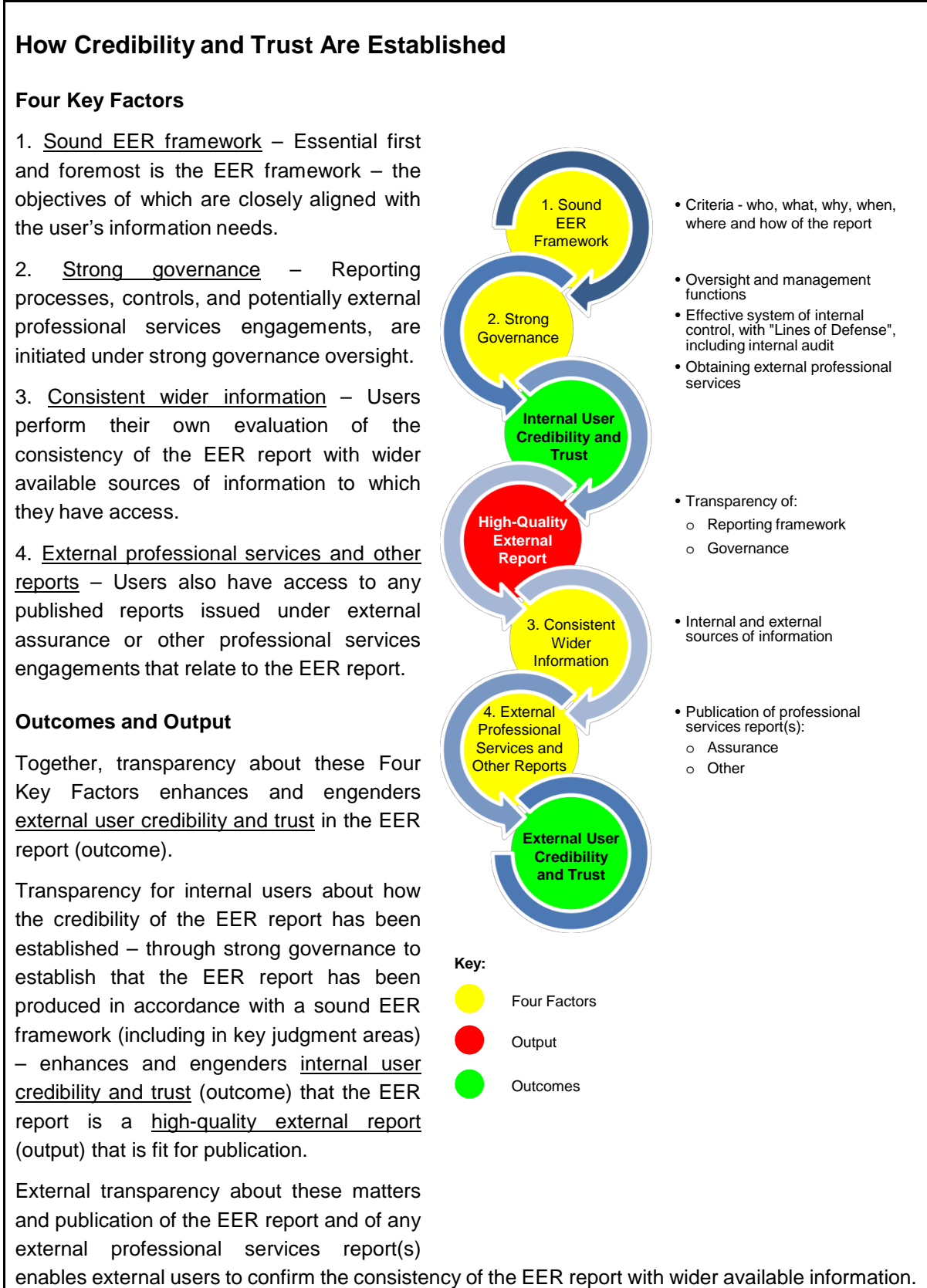
Introduction

1. This paper explores the concept of credibility and trust in relation to EER reports and introduces four factors that may enhance their credibility. It aims to show how external assurance may have a role as part of a wider context of factors that can support credibility, and therefore the users' trust in EER information.
2. The paper may be of relevance to assurance practitioners, preparers of EER, and users of EER.
3. Credibility is a user-perceived attribute of information that engenders in the mind of the user an attitude of trust in the information. Factors other than credibility can also affect user trust in information. For example, a strong track record of an entity delivering on its promises can increase trust, but a perception of self-interest – or conflicts of interest – by the entity can diminish trust.
4. In the context of EER reports, credibility is likely to be enhanced if there is:
 - A Sound EER Framework—that is transparent and in which the user has confidence that the output of applying the EER framework (the EER report) provides a sound basis for meeting their needs.
 - Strong Governance over the Reporting Process—that satisfies the user that robust processes and controls were applied with appropriate oversight, and that the people involved were competent and not influenced by conflicts of interest.
 - Consistent Wider Information—that satisfies the user that the EER report is internally consistent and consistent with the user's wider knowledge.
 - External Professional Services and Other Reports—independent external professional services reports and other external inputs relating to the EER report to which the user has access.
5. As these factors show, external assurance is only one means of enhancing the credibility of EER reports, and its benefit is greatest when the other factors are present too.

Four Key Factors

6. The four factors identified above that may enhance the credibility of EER reports are illustrated in Figure 1 and discussed below. We refer to these as the “Four Key Factors”.

Figure 1: Overview of Credibility and Trust



Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

Factor 1: Sound EER Framework

7. Management is responsible for ensuring that the external report is prepared in accordance with an applicable EER framework. The user’s perception of the credibility of an EER report can be influenced by the qualities and transparency of the EER framework used for its preparation.
8. A sound EER framework guides preparers in ensuring that the EER report is an effective communication and gives users confidence that the EER report will meet their needs. EER frameworks therefore typically address:
 - *Reporting Objectives*: intended users, scope and use (the who; the high level what, when and where; and the why of the EER report);
 - *Content Elements* to be included in the EER report (the more detailed what, when, and where of the EER report); and
 - *Qualitative Characteristics of the Information*, including:
 - *Depiction Methods* for the content elements (measurements, quantitative or qualitative evaluation or assessment techniques, and descriptions) (the technical aspects of the “how”); and
 - *Principles for Communicating* effectively in the EER report (the communication aspects of the “how”).
9. The table below summarizes the characteristics of the features of an EER framework that are likely to engender credible reporting, and their relationship to the characteristics of suitable criteria set out in paragraph A45 of ISAE 3000 (Revised).

Characteristics of an EER Framework that are Likely to Engender Credible Reporting	IAASB’s Characteristics of Suitable Criteria
Has an objective that reflects the users’ expectations as to the scope, intended users and intended use of the EER report	Relevance
Consistently includes and reliably depicts all relevant reportable content elements that are material to the intended users in the context of the intended purpose of the EER report	Relevance, completeness, reliability
Recognizes areas of uncertainty, ambiguity and judgment that give rise to inherently greater susceptibility to preparer bias risk and establishes adequate disclosure and neutrality principles to counter this	Neutrality, completeness
Promotes transparent (open), clear (unambiguous) and concise (readily understandable) reporting of these matters, and enables effective comparability both with other pertinent entities and over time	Relevance, reliability, understandability

10. The credibility of EER reports can also be enhanced when there is user confidence in the quality of the EER framework applied because:

Explanatory Memorandum

Draft Guidance

Contextual Information

Credibility and Trust Model

- The due process for developing the EER framework involves interaction with stakeholders to ensure that the interests of the intended users and other stakeholders are appropriately reflected;
 - There is effective governance over the development of the EER framework that addresses potential conflicts of interest; and
 - The EER framework is well-known, commonly understood, and has broad stakeholder acceptance.
11. The objectives of different EER frameworks can vary significantly. The closeness of fit between the objectives of the EER framework and the user's needs is an important credibility factor. Transparency about the reporting objectives is therefore important.
 12. Where EER frameworks specify content elements and depiction methods, this can drive consistency in reporting but may also limit the ability of the preparer to tailor the EER report to the entity's specific circumstances. Where such tailoring is important in meeting the reporting objective, EER frameworks may specify principles-based requirements for judgments by preparers to determine relevant content elements or depiction methods.
 13. Where applicable, the need for such judgments and the potential for ambiguity in those criteria may make the EER framework inherently more susceptible to the risk of preparer bias. For example, under a principles-based requirement:
 - Identifying content elements and depiction methods can involve significant judgments about what to report and the appropriate depiction methods to use. Clear principles for determining these matters (such as a strong materiality principle and a requirement for stakeholder engagement to enable it to be applied effectively), and transparency about these matters and about the processes to implement them, can be important credibility factors for an EER report.
 - Applying depiction methods can involve addressing significant uncertainties in making estimates and qualitative evaluations or assessments and can therefore require significant judgments by preparers. EER frameworks may address such uncertainties and judgments by requiring related disclosures and by establishing a neutrality principle to be applied in making such judgments to counter the inherently greater susceptibility to preparer bias risk.
 14. The existence of a multiplicity of EER frameworks covering similar areas may lead to confusion amongst users of EER reports, and may also reduce the ability of users to compare entities effectively.

Factor 2: Strong Governance

15. Strong governance includes sound governance structures that oversee a strong internal control system, including effective risk management and high-quality reporting processes. Management and, in some jurisdictions, those charged with governance (TCWG)⁴⁷ are responsible for establishing internal control as necessary to ensure that the information in the EER report is reliable and available on a timely basis. Management or TCWG may be required to, or may voluntarily make, an explicit assertion in the external report on their responsibility.

⁴⁷ See the *Glossary of Terms* in the IAASB Handbook. For some entities in some jurisdictions, TCWG may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.

16. The competence and accountability of management and TCWG is therefore an important element of the strong governance that is required to enhance credibility and trust. Underpinning this is a need for preparers to behave in a way that is consistent with the spirit of the objectives of the relevant EER framework to present EER information faithfully and without bias. In some circumstances, the use of external specialists may be appropriate, and may enhance credibility further.
17. Oversight by TCWG, who are responsible for overseeing the strategic direction of the entity and its obligations related to accountability, includes overseeing the entity's external reporting process, which may historically have been primarily focused on the financial statements. The responsibilities of TCWG may become broader as EER continues to evolve. In listed companies and other large entities, much of the work related to overseeing the entity's external reporting process is often undertaken by an audit committee. A transparent and constructive relationship between management and TCWG will enhance credibility of the external report. In executing their responsibilities, TCWG (including audit committees where they exist) may engage with intended users to obtain their perceptions of the usefulness and quality of external reporting.
18. Some entities also have as part of their governance process a separate disclosure committee that assists the Board of Directors and the audit committee in preparing the required disclosures and helps ensure that an entity's disclosure controls and procedures are properly implemented. These activities help to support the quality of external reporting.
19. A strong internal control system is founded on:
 - A control environment in which the oversight function (TCWG) and management actively support high-quality external reporting, and embed a culture in the entity that engenders effective internal control;
 - An effective information system for obtaining and processing relevant data and information of sufficient quality to support decision-making to enable the depiction of content elements;
 - Identification and assessment of risks that may threaten the quality of external reporting and the design, implementation and effective operation of appropriate responses in the form of control activities;
 - Regular overall monitoring of controls to determine that such controls are effective; and
 - Adequate information and communication, including more broadly on the business processes.
20. Many entities use internal audit for their operational audits or to assist in the audit of the external reporting process or the external report itself. Internal auditors are also exploring how their role may evolve along with the maturity of the EER processes within the entity.⁴⁸ Professional services providers may also be engaged to perform assurance engagements or other external professional services, reporting to TCWG, to support internal credibility and trust in the EER reporting process or in the resulting EER report.
21. Stakeholder engagement also forms an important part of governance processes, informing an entity's strategy and identification of material issues for disclosure.
22. Management routinely communicates and engages with intended users, particularly investors, in a number of ways. Visible, active engagement with users may provide an added motivation for management to achieve high-quality external reporting and may also enhance credibility.

⁴⁸ Institute of Internal Auditors (2013) in [Integrated Reporting and the Emerging Role of Internal Auditing](#).

23. Stakeholder dialogue is an important part of the process for defining an entity's strategy, identifying the most material issues to address, and disclosing them in external reports. The importance of such engagement is reflected in many EER frameworks and therefore influences the entity's EER 'materiality process'. Entities may also include stakeholder representatives in their governance structures, such as in their non-executive board, or may have a separate expert advisory group to advise the board on such matters.
24. For external users, the credibility of external reports may increase if the different elements of the governance system (structures, processes and people) that support the EER process are made transparent. This includes transparency about the individuals involved in the reporting process within an entity and those that govern these processes, as well as information pertinent to users' perception of those individuals' integrity and competence.

Factor 3: Consistent Wider Information

25. Inconsistencies between the various sources of information about the entity and its environment available to users may impact the credibility of the EER report. EER reports also need to describe all relevant issues and be complete if they are to be consistent with other information available about the entity.
26. Ensuring the consistency of information in the EER report with other sources of information likely to be available to users of the EER report, or explaining apparent inconsistencies, may enhance the credibility of the EER report.
27. Factors affecting the credibility of that wider information – such as the perceived independence and objectivity of the ultimate source of the information, the medium through which it is communicated (for example, a respected news agency), or the fact that the information was obtained in the past and was already perceived as credible - may influence whether the EER report or the wider information is determined to be most credible by users when there are inconsistencies between them.

Factor 4: External Professional Services and Other External Inputs

28. Entities seek to enhance the credibility of their external reports not only through strong governance, but also through obtaining professional services or other external inputs. Credibility can come from a variety of professional services and other external inputs obtained from various types of providers, not just professional accountants (such as engineers). Such professional services may result in reports under assurance or other professional services engagements or other external inputs that are either made publicly available or restricted to internal parties involved in the engagement (see paragraph 20).
29. The type of professional service that is most appropriate in the circumstances and most relevant to users will depend on users' needs (which may be quite different between internal and external users), the nature of the external input and the maturity of the entity's EER processes.
30. The way such professional services and other external inputs may enhance the credibility of the EER report is dependent on the particular characteristics of such inputs and the personal traits of those providing them, for example:
 - Competence that is demonstrated or generally well known;
 - Objectivity and independence;
 - Professional skepticism and professional judgment;

- Quality in the performance of the engagement;
 - Quality control, where applicable, at the engagement and firm level by the practitioner and firm that perform the engagement;
 - Professional standards applicable to the practitioner;
 - Regulatory oversight and supervision of professional services, where applicable; and
 - Clarity of reporting, and transparency about the work performed.
31. Although the necessary competence may be different depending on the particular form of professional services or other external input and the complexity of the entity, in general competence likely needs to include:
- Knowledge of the relevant EER framework;
 - Knowledge of the underlying subject matter; and
 - Knowledge of the professional standards that apply.
32. Transparency about the competence of those performing the professional service or other external input may add to the credibility of the EER report. Particular types of engagements (for example, assurance engagements) also require the practitioner to meet independence and other relevant ethical requirements.
33. The manner in which the outcome of the external professional services or other external input is reported can influence the degree to which the external service or input adds credibility to the EER report. Key characteristics of a communication that may add such credibility include that such communication is understandable and clearly structured, well balanced, not biased and, where applicable, comparable between reporting periods and with other entities that prepare EER reports.
34. An explicit reference to national or international standards for quality control of the practitioner’s firm and for the performance of the engagement, as well as to relevant ethical requirements, may also enhance the degree to which the external input adds credibility to the EER report.
35. Whether the credibility of information is enhanced may be affected by the users’ understanding of the external professional services, including assurance. There may be a need to educate users about the nature of such services and the levels of assurance that can be obtained from them.
36. Without experience of how to read assurance reports to understand the scope and level of assurance being provided, there is a danger of user confusion and misunderstanding, particularly given the range of services that practitioners can provide and the differing professional standards that assurance providers work to.

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

The IAASB and IFAC do not accept responsibility for loss caused to any person who acts or refrains from acting in reliance on the material in this publication, whether such loss is caused by negligence or otherwise.

International Standards on Auditing, International Standards on Assurance Engagements, International Standards on Review Engagements, International Standards on Related Services, International Standards on Quality Control, International Auditing Practice Notes, Exposure Drafts, Consultation Papers, and other IAASB publications are published by, and copyright of, IFAC.

Copyright © February 2019 by IFAC. All rights reserved. Permission is granted to make copies of this work to achieve maximum exposure and feedback provided that each copy bears the following credit line: *“Copyright © February 2019 by the International Federation of Accountants® or IFAC®. All rights reserved. Used with permission of IFAC. Permission is granted to make copies of this work to achieve maximum exposure and feedback.”*

The ‘International Auditing and Assurance Standards Board’, ‘International Standards on Auditing’, ‘International Standards on Assurance Engagements’, ‘International Standards on Review Engagements’, ‘International Standards on Related Services’, ‘International Standards on Quality Control’, ‘International Auditing Practice Notes’, ‘IAASB’, ‘ISA’, ‘ISAE’, ‘ISRE’, ‘ISRS’, ‘ISQC’, ‘IAPN’, and IAASB logo are trademarks of IFAC, or registered trademarks and service marks of IFAC in the US and other countries.

For copyright, trademark, and permissions information, please go to [permissions](#) or contact permissions@ifac.org.



**International Auditing
and Assurance
Standards Board**

529 Fifth Avenue, New York, NY 10017
T + 1 (212) 286-9344 F +1 (212) 286-9570
www.iaasb.org



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO.	6.2
Meeting Date:	16 April 2019
Subject:	EER Assurance – Issuance of Phase 1 EER Consultation Paper – IAASB Seeking comments by 21 June 2019
Date Prepared:	8 April 2019

Comments received from Jo Cain

Overall Comments

- Purpose of the Guidance to apply ISAE 3000 (Revised) to a wide range of subject matter is now clear.
- Alignment with ISAE 3000 (Revised) requirements is much stronger.
- Use of ISAE 3000 (Revised) terminology is more consistent.
- Separating guidance potentially more applicable to report developers into Appendix 1 makes the distinction clearer, highlighting that the audience for this Guidance is the assurance practitioner.
- **Valuable examples are improving throughout the Guidance - however, this remains an area for improvement:** There is still a need to “flow” practical examples throughout the Guidance, providing a financial reporting example alongside a non-financial reporting (EER) example, thus accommodating the different backgrounds from which assurance practitioners will come to use this Guidance.

Chapter 1: Introduction

- Strengths of this draft:
 - Integrated reporting (IR) is now mentioned upfront, as well as sustainability reporting (para 1).
 - Clarity is now provided upfront that this guidance is for assurance practitioners, whilst EER preparers may also find it useful as a secondary audience (para 5).
 - Clarity is now provided re: ISAE 3000 (Revised):
 - The purpose of the guidance is the application of 3000 to a wide range of subject matter (para 6).
 - No requirements additional to 3000 are included (para 7).
 - It is most likely to be applied to attestation engagements (para 10).
 - Terminology is consistent with 3000 (para 11).
 - Para 11a provides a good financial reporting example followed by an EER example.
- Areas for improvement:

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.

- **Make it clear that EER can include financial information:** Not just non-financial/ESG information (para 1).
- **Enhance the clarity of subject matter elements with examples in situ (para 11a):** For example why do we need “individual” employees and “individual” customers?

Chapter 2: Overview of an EER Assurance Engagement

- Areas for improvement:
 - **Flow chart is all that is needed:** Could this chapter be summed up in a one page flow chart of a typical EER assurance process, pointing to where in the guidance each stage is covered? The statements made under the subheadings in this chapter appear not to go further than the ISAE 3000 (Revised) requirements, hence the value is questionable.
 - **Rational purpose generalisation should be avoided:** Para 19 contains a potentially dangerous generalisation that if the assurance scope does not cover the whole report, it increases the risk of there not being a rational purpose for the engagement. Whereas, many assurance practitioners would argue that tailoring the scope to facilitate a deep dive on data and narrative relating to material issues, potentially on a rolling program, can be extremely useful. The concept of deep dive into material issues versus wide and shallow across more content volume warrants better explanation here.

1

Chapter 3: Determining Preconditions and Agreeing the Scope

- Strengths of this draft:
 - Diagram in para 46 is useful.
 - Coverage of assurance readiness engagements in paras 50-53 is useful – in particular comments such as “Such communications may encourage those charged with governance or management, as appropriate, to take steps to improve the process to prepare EER reports” (para 51).
 - **Good to see independence challenges highlighted:** In para 53 – however, a stricter stance is needed re: an assurance practitioner not being in a position to continue in that capacity if an assurance readiness engagement is undertaken resulting in substantial guidance on EER development processes. In this case, the practitioner is acting in a developmental capacity rather than as an independent assurance auditor.
- Areas for improvement:
 - **Potential confusion re: reasonable versus limited assurance:** In para 45, by having the same preconditions. More context is needed to explain this.
 - **Do we need para 47 a)-g) in addition to the diagram:** In para 44, or can the content in para 47 be integrated into the diagram? If para 47 remains, it could be enhanced with a user-friendly example flowing through the stages. Could the greenhouse gas emissions of the entity be considered in terms of the contribution to climate change in comparison to peers in the sector?
 - **Consideration of materiality in scoping assurance:** Para 49 should include specific consideration of materiality in scoping and accepting the assurance engagement to ensure a focus on material issues and datasets. If the reporting entity has undertaken a robust materiality process, what is most important (material) to intended users in their decision-making will have been determined. Considering

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.

materiality in the assurance scope will help to ensure that it is meaningful to intended users, in particular for limited assurance (para 49, 5th bullet point, 1st sentence). Para 56 points in this direction without providing valuable linkage to materiality – representing a missed opportunity to assist assurance practitioners.

Chapter 6: Considering the System of Internal Control

- Strengths of this draft:
 - Comprehensive identification of policies, procedures and resources that make up the reporting system (para 67), types of control activities (para 70) and governance aspects (para 71).
 - Practical example in para 73.
 - Further context on when an assurance readiness engagement may be the appropriate scope in place of an assurance engagement (para 76).
- Areas for improvement:
 - **More practical guidance is needed:** In paras 58-66 – hence the value of these two pages of the guidance is questioned.
 - **Specific examples are essential for the assurance practitioner:** In this chapter, in particular:
 - Procedures and resources, for a)-f) in para 67.
 - Different types of control activities listed in a)-d) of para 70.
 - Governance oversight activities listed in a)-h) of para 71.

Chapter 7: Determining the Suitability of Criteria

- Strengths of this draft:
 - This chapter is one of the strongest in the draft Guidance.
 - Use of diagrams to explain concepts: Para 80 - underlying subject matter, criteria and subject matter information and how they interrelate; para 89 – determining the suitability of criteria.
 - Financial and non-financial examples: Provided side-by-side in para 82 – this approach to example provision is needed throughout the entire Guidance document.
 - Examples of the characteristics of criteria: Relevance (para 96), Materiality (para 98), Reliability (para 105) and Neutrality (para 108).
 - Example of determining the suitability of criteria: Para 114 (pages 41-42) across all five criteria.
- Areas for improvement:
 - **Materiality subheading needed:** For para 98.
 - **Financial and non-financial examples needed side-by-side:** Both for Completeness as a characteristic of criteria (paras 102-104), financial for Relevance (para 96), financial for Reliability (para 105) and financial for Neutrality (para 108).

Chapter 8: Considering the Entity's Materiality Process:

- Strengths of this draft:
 - The context for a materiality process is well-defined upfront in paras 124 and 125.
 - Stakeholder engagement context (para 155).
 - Sources of information for materiality (para 156).
- Areas for improvement:

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.

- **Risk is an important input to the materiality process:** But risk represents one of many inputs. Hence the example provided re: risk in para 127 may be more confusing than helpful.
- **Materiality results are relevant:** Irrespective of whether or not the assurance scope covers the whole EER. Disagree with the first sentence of para 129. In fact, the outcomes of a materiality process are potentially more relevant to limited assurance over certain indicators to ensure that those indicators assured are material to users' decision-making and that the assurance therefore has a rational purpose. Suggest removal of the first sentence of para 129.
- **Materiality is important to determining assurance scope:** Second sentence of para 129 addresses this and could be made more prominent, perhaps with a subheading and links to other relevant parts of the Guidance.
- **Materiality process diagram potentially confusing:** Inclusion of the preparer's role alongside that of the practitioner in the diagram in para 130 could be confusing. For other areas of the Guidance, this context has been moved to Appendix 1, which is also suggested here, to avoid any potential confusion.
- Para 132 strays into the preparer's role rather than the assurance practitioner's.
- Question the relevance of paras 136-144 to the assurance practitioner. Perhaps this content could be condensed into one or two short paras?
- Para 145 onwards are more relevant to the assurance practitioner.
- **Disagree with the sole focus on impact:** Paras 152-154 represent a GRI and Sustainability Reporting focus. In Integrated Reporting, this would be value creation, not impact. Perhaps an additional example could be included?
- **Examples of disclosure of the materiality process needed:** Para 164 would benefit from a couple of published examples, perhaps a best practice IR and a best practice SR, showing how entities report their materiality process and the charts used to present their materiality results.

Chapter 9: Performing Procedures and Using Assertions:

- Strengths of this draft:
 - Well written content on assertions.
- Areas for improvement:
 - **Categories of assertions need examples:** Diagram in para 177 would benefit from specific subject matter examples, both financial and non-financial, alongside each category.
 - **Balance guidance still needed:** Para 178 goes some way towards addressing the challenge experienced by assurance practitioners in the face of overly positive performance reporting lacking in appropriate balance of achievements and challenges.

Chapter 10: Assuring Narrative Information:

- Strengths of this draft:
 - Coverage of factual versus subjective narrative information in para 187.
 - Explanation of the typical assurance outcomes with narrative information, including rewording or removal of statements (para 200).

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.

Chapter 11: Assuring Future-Oriented Information:

- Strengths of this draft:
 - Again, coverage of factual versus subjective future-oriented information is helpful.

Chapter 12: Considering the Materiality of Misstatements:

- Strengths of this draft:
 - Coverage of different types of misstatements, quantitative and qualitative, in para 219. In particular, those relating to presentation and the preparer's behaviour, both of which can result in misleading the user.
 - Direct linkage to ISAE 3000 (Revised) requirements, such as in para 226.
- Areas for improvement:
 - **Coverage of financial materiality thresholds may assist:** Relating to percentage error may help assurance practitioners to understand this area.

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. **7.0**

Meeting date: 16 April 2019

Subject: ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*

Date prepared: 12 April 2019

Prepared by: Anne Waters – AUASB Senior Project Manager

Action Required

For Information Purposes Only

Agenda Item Objectives

1. For the AUASB to consider the matters detailed in this paper and subject to these approve ED 05/19 ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* (ED 05/19).

Background

2. Previously the AUASB have discussed that there are inconsistencies between ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* (ASRE 2410) and the Auditor Reporting enhancements. However an update to ISRE 2410 was not on the IAASB's agenda. NZAuASB also considered an update to ISRE 2410 was required.
 3. At its meeting on 12 September 2018 the AUASB agreed we would work with NZAuASB to update ISRE (NZ) 2410 and ASRE 2410 with consistent principles.
 4. Importantly it was agreed the scope of this update is limited to NOCLAR and Auditor Reporting conforming amendments.
 5. At its meeting on 5 December 2018 the AUASB discussed the ASRE 2410 *Matters for the AUASB's Consideration* paper and agreed with the ATG recommendations. ED 05/19 has been drafted based on this.
 6. At its meeting on 6 March 2019 the AUASB briefly discussed draft ED 05/19 and agreed to include compliance frameworks in its scope which is consistent with ISRE 2410 and NZ 2410.
 7. This paper includes the matters for the AUASB's consideration.
-

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 – Matters for the AUASB attention

Scope of the amendments to ASRE 2410

8. The amendments proposed to ASRE 2410 in ED 05/19 extend beyond the matters agreed at the December 2018 AUASB meeting. This is due to additional amendments being identified through the course of updating the standard and also in consultation with changes made in conjunction with the NZAuASB.

Quality control procedures

9. ASRE 2410 paragraph 8 and 9 requires auditors to “comply with relevant ethical requirements relating to the audit of the entity” and to “implement quality control procedures that are applicable to the individual engagement”. Application paragraph A6 says ASQC 1¹ and ASA 220² include guidance that may be helpful.
10. NZ SRE 2410 also requires compliance with ISA 220.
11. The ATG’s view is that whilst ASA 220 is written for an audit, the principles are relevant for a review engagement. However existing requirements in extant ASRE 2410 are sufficient to ensure auditors are adopting an appropriate level of quality control procedures and the ATG’s recommendation is that it is not necessary to have a specific requirement to apply ASA 220. The ATG also notes that this is outside the scope of this update.

Question for the AUASB

Do you agree with the ATG’s conclusion in paragraph 10?

Other information

12. The AUASB previously agreed not to require compliance with ASA 720 and require an Other Information section in the auditor’s review report, and ED 05/19 has been drafted on that basis.
13. Extant ASRE 2410 A36 provides guidance that if there is a material error in the other information the auditor may consider an Other Matter Paragraph (OMP). At its meeting on 6 March 2019 the AUASB discussed that it would be more appropriate and for consistency with the auditor’s report that this to be reported as an Other Information paragraph. The AUASB also discussed whether this should be a requirement or explanatory material. No formal decision was made. The ATG have considered this further and have concluded that it is appropriate to include this in A36 (explanatory material) and not as a requirement as this is an extremely rare scenario, and we do not want to go ahead of the ISRE on this matter.

Questions for the AUASB

The ATG considered whether a definition of other information should be included in ED 05/19. However have concluded that paragraph 25 (ie. read the other information that accompanies the financial report”) is sufficient. Does the AUASB agree that no further definition is required?

Do you agree that in the scenario where there is an uncorrected material error in the other information ED 05/19 includes guidance in the explanatory material for auditors to consider reporting this in an Other Information paragraph, and not include this as a requirement?

¹ 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*

² ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*

NOCLAR

14. ASRE 2400 was updated in 2016 for conforming amendments as a result of the NOCLAR amendments to the ASAs. The IAASB did not make any conforming amendments to ISRE 2410 as a result of the NOCLAR.
15. Extant ASRE 2410 has fewer requirements related to laws and regulations than ASRE 2400. For example, ASRE 2400 includes more detailed requirements around making enquiries related to NOCLAR. This is because ASRE 2400 usually relates to a standalone engagement, whereas engagements conducted in accordance with ASRE 2410 are performed by the auditor of the entity and the requirements of ASA 250 apply.
16. ED 05/19 paragraph 30 has been updated based on the IAASB's conforming amendments to requirements ISRE /ASRE 2400. There were no other conforming amendments to the requirements in ASRE 2400.
17. The changes made to the application material in ASRE 2400 have been considered however these are all included in ASA 250. The ATG consider it is appropriate that ASRE 2400 has more detailed requirements than ASRE 2410 and for ASRE 2410 to refer the auditor to ASA 250 if during the conduct of the review any issues are identified. Based on this ED 05/19 has been updated to have include a reference in paragraph A20 (d) (xv) to refer to ASA 250 for guidance.

Question for the AUASB

Do you agree with the approach detailed above for NOCLAR amendments?

Review Conclusion

18. The review conclusion wording included as a requirement in extant ASRE 2410 was for a financial report prepared using a fair presentation framework which was not in accordance with the *Corporations Law 2001*. The wording required by the *Corporations Law 2001* is different and was included in Appendix 3.
19. For clarity and as ASA 101 *Preamble to Australian Auditing Standards* states that the appendices are not authoritative, the wording required by the *Corporations Law 2001* section 309 (4), has been added as a requirement in ED 05/19.
20. The wording for the review conclusion for a compliance framework has also been added to ED 05/19. This is based on ASA 700 paragraph 26.
21. Refer to ED 05/19 paragraph 33 e.

Question for the AUASB

Does the AUASB agree that the wording for the three types of conclusions should be included as an explicit requirement? Does the AUASB agree with the wording?

Management's responsibilities

22. Consistent with ASA 700, ED 05/19 paragraph 35 includes the term "management" and an explanation to use the term that is appropriate. The illustrative example review reports also use the term "management".

Question for the AUASB

Do you agree with the terminology used in paragraph 35?

Auditor's responsibilities

23. As agreed at the AUASB 6 March 2019 meeting the auditor’s responsibility in relation to going concern is described consistently with the requirement in extant ASRE 2410 paragraph 19. This is different to the wording in NZAuASB’s draft ED which is based on ASA 700 and is:

The auditor makes enquiries about the appropriateness of the use of the going concern basis of accounting. If the auditor considers that a material uncertainty exists, the auditor is required to draw attention in the review report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the conclusion. The auditor’s conclusions are based on the 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.

Question for the AUASB

Do you agree with how the term “state” and “describe” is used in paragraph 37?

Do you agree with how the auditor’s responsibility in relation to going concern is described in ED 05/19?

Modified review opinions

24. ED 05/19 Paragraphs 39 – 40 have been added to assist with the “flow” of the standard and are consistent with ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report*. Paragraphs 41 to 49 have been updated to comply with ASA 705, however the structure of extant ASRE 2410 has been retained.

Question for the AUASB

Do you think the additions of paragraph 39 and 40 are helpful? And are the paragraphs 41 to 49 sufficient to assist auditors in determining the correct conclusion?

Going concern

25. As discussed at the AUASB meeting on 6 March 2019, ED 05/19 has been updated to change the requirement from an emphasis of matter to a material uncertainty related to going concern.

Emphasis of Matter and Other Matter Paragraphs

26. Paragraph 52 has been amended to remove the reference to going concern, and paragraphs 53 and 54 have been added for consistency with ASA 706 and ASRE 2400.

Conformity with ISRE 2410

27. This section lists the differences between ISRE and ASRE 2410 and will be finalised when the requirements in ED 05/19 are finalised. The paragraphs which are highlighted in yellow will be reviewed and likely to change.

Appendix 4 Illustration review report examples

28. Extant ASRE 2410 includes the following:
- A. Auditor’s Review Report with an Unmodified auditor’s conclusion on a Financial Report
 - B. Auditor’s Review Report with a Qualified Conclusion (Except for) for a Departure from the Applicable Financial Reporting Framework
 - C. Auditor’s Review Report with a Qualified Conclusion for a Limitation on Scope Not Imposed by Management

- D. Auditor’s Review Report with an Adverse Conclusion for a Departure from the Applicable financial Reporting Framework
 - E. Auditor’s Review Report with a Qualified Conclusion (Except for) on the Basis that Comparatives have not been Reviewed or Audited
29. These have been updated for change in terminology i.e. Balance Sheet vs Statement of Financial Position, consistency with ASA 700, and the amendments to the wording of qualified opinions to conform with ASA 705. Also a new example review report has been added for a compliance framework.
30. Example C uses the term “limitation on scope not imposed by management” which has been updated in ASA 705 to “inability to obtain sufficient appropriate evidence”. In this scenario, ASA 705 requires the auditor to issue an Except for qualification, or a disclaimer if pervasive. Example C includes an Except for opinion, which is in effect very similar to Example B.
31. Example E is outdated and is not in compliance with ED 05/19 paragraph 21 or ASA 510 and the Explanatory Guide *Opening Balances*. In the ATG’s view in this scenario auditors should refer to ASA 510 and that this example be removed from ED 05/19. Based on this the ATG have not updated this example in ED 05/19.

Question for the AUASB

Does the AUASB consider that Example C should be retained as is or the conclusion be changed to a disclaimer as this is not covered in the illustrative examples in ED 05/19?

Does the AUASB agree that it is appropriate to remove Example E from ED 05/19?

Does the AUASB agree that adding an example review report for compliance frameworks is useful to auditors?

Operative date

32. The AUASB initially discussed an operative date of financial reporting periods commencing on or after 1 July 2019, with early adoption permitted. The ATG recommend that this is changed to financial report periods commencing on or after 1 January 2020 with early adoption permitted. This will require the new review report format to be used for interim reporting at June 2020 as the half year is a discrete reporting period. Whilst the changes are not onerous auditors will need to update their review report templates.

Question for the AUASB

Do you agree with the proposed effective date and it allows sufficient time for the auditors to update their templates?

Timing and outreach

33. If ED 05/19 is approved for issue by the AUASB at this meeting, the ATG propose that it is issued by end of April 2019 for a 90 day comment period. The final standard will be considered by the AUASB at its meeting on 11 September 2019. The ATG anticipate this standard will be approved at the September or December 2019 AUASB meetings. The ATG will conduct targeted outreach with auditors of listed entities.

Part B – NZAuASB

34. This project is being conducted in conjunction with the NZAuASB with the objective of issuing standards with consistent principles.

Part C – “Compelling Reasons” Assessment

35. N/A

Actions for the AUASB

- 36. Consider the questions detailed above.
- 37. Review the draft ED 05/19 Explanatory Memorandum. Specifically are there any other questions to be included for our stakeholders?
- 38. Review the track changes version of ED 05/19 ASRE 2410. Note that a clean and track changes version has been provided including comments to aid the AUASB’s review.
- 39. Based on the above do you approve ED 05/19 ASRE 2410 for issue?

Material Presented

Agenda item 7.0	Board Meeting Summary Paper
Agenda item 7.1.1	ED 05/19 Explanatory Memorandum
Agenda item 7.1.2	ED 05/19 - Track Changes Version
Agenda item 7.1.3	ED 05/19 - Clean Version



Agenda Item 7.1.1
AUASB Meeting 16 April 2019

Explanatory Memorandum

Exposure Draft 05/19

ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity

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



Obtaining a Copy of this Explanatory Memorandum

This Explanatory Memorandum is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000 AUSTRALIA

Phone: (03) 8080 7400
Fax: (03) 8080 7450
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

COPYRIGHT

© 2019 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this document are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the AUASB.

Requests and enquiries concerning reproduction and rights for commercial purposes should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this document may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 2201-3644

Explanatory Memorandum

Exposure Draft 05/19: ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*

Important Note and Disclaimer

This Explanatory Memorandum is issued by the AUASB to provide information to assurance practitioners about the AUASB's amendments to ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*.

This Explanatory Memorandum does not establish or extend the requirements under an existing AUASB Standard(s) and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors and assurance practitioners are required to comply when conducting an audit or other assurance engagement. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

CONTENTS

	<i>Paragraph</i>
Purpose	1-2
Exposure Draft Questions	3
Background	4-13
Conformity with IAASB’s auditing standards	14-16
Key proposals contained in ED 05/19	17-24
Other Outreach Activities	25
Application	26
General information	27-29
Website Resources	30

EXPLANATORY MEMORANDUM

Exposure Draft 05/19

ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*

Purpose

1. The AUASB is seeking feedback from stakeholders on proposed amendments to ASRE 2410 which are detailed in Exposure Draft 05/19: ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* (ED 05/19).
2. The aim of this Explanatory Memorandum is to provide stakeholders with information about ED 05/19, and the Auditing and Assurance Standards Board's (AUASB) approach to implementing this standard in Australia.

Exposure Draft Questions

3. Comments are invited on Exposure Draft 05/19: ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*. The AUASB is seeking comments from respondents on the following questions:
1. Do you agree with the proposals to incorporate the reporting requirements made to the annual report consistently into the interim review report?
 2. Do you agree with the proposed scope of the following amendments to ASRE 2410:
 - (a) Not requiring the communication of key review matters, or an update on the status of key audit matters from the previous audit report, for review reports before this is considered by the IAASB?
 - (b) Not requiring the inclusion of an 'Other Information' section in the interim review report before this is considered by the IAASB?
 - (c) Requiring the Auditor's Responsibilities section to be included in the review report, and not providing an option to include parts of this on the AUASB website?
 3. Do you agree with the proposed amendments to incorporate conforming amendments as a result of the IAASB's project regarding non-compliance with laws and regulation (NOCLAR)?
 4. Do you agree with including reviews of financial reports prepared in accordance with a compliance framework in ASRE 2410?
 5. Do you consider that there are any further amendments required to be made to ASRE 2410?
 6. Do you agree with the proposed effective date? If not, please explain why not.
 7. Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?
 8. 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?
 9. Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
 10. 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 significant costs are expected, the AUASB would like to understand:
 - a. Where these costs are likely to occur;
 - b. The estimate extent of costs, in percentage terms (relative to audit fees); and
 - c. Whether expected costs outweigh the benefits to the users of audit services?
 11. Are there any other significant public interest matters that constituents wish to raise?

Background

4. The AUASB has a strategic objective to develop, issue and maintain high quality Australian Auditing Standards. The AUASB takes input received from Australian constituents into account when developing Australian Auditing Standards.

Explanatory Memorandum

Exposure Draft 05/19: ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*

5. International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (ISRE 2410) has not been updated since 2006 and is not in clarity format. An update to ISRE 2410 is not on the IAASB's current work program.
6. The AUASB re-issued ASRE 2410 in 2009 in clarity format, and made further conforming amendments in June 2011 and July 2013.
7. From December 2016 the auditor's report has been changed as a result of the AUASB's project to enhance the auditor's report to communicate more about the audit that was performed.
8. We have received questions from stakeholders as to whether the new auditor reporting requirements impact the format and content of the review report in accordance with ASRE 2410.
9. Currently, whilst ASRE 2410 has not been updated, auditors can, but are not required to, use the new reporting format when issuing a review report provided any reporting is not inconsistent with ASRE 2410. The AUASB issued an AUASB Bulletin [Auditor review reports – the impact of the new auditor reporting requirements](#) to provide guidance on this matter.
10. The AUASB discussed that currently there is inconsistency in review reports being issued by Australian auditors, as some are in the old format contained in ASRE 2410 and others have been changed based on the guidance in the AUASB's Bulletin.
11. Similar questions have been asked by New Zealand stakeholders and the New Zealand Auditing and Assurance Standards Board (NZAuASB) agreed that it would be preferable to promote consistency in practice and it is appropriate to develop an exposure draft to incorporate the changes to the review standard as a result of the enhanced auditor's report.
12. Consistent with the AUASB's principle of convergence with New Zealand, the AUASB agreed to develop an ED in Australia concurrently with the NZAuASB.
13. In addition, it was agreed it was appropriate to include conforming amendments as a result of the IAASB's project regarding non-compliance with laws and regulation (NOCLAR).

Conformity with IAASB's auditing standards

14. In accordance with its mandates under section 227 of the *ASIC Act 2001* and the Financial Reporting Council's (FRC) Strategic Direction, the AUASB's policy is to adopt the IAASB's auditing standards (ISAs), unless there are compelling reasons not to do so; and to amend the ISAs only when there are compelling reasons to do so. The AUASB's principles of convergence with the ISAs and harmonisation with the New Zealand auditing standards can be found on the AUASB's website:

http://www.auasb.gov.au/admin/file/content102/c3/Aug14_IAASB-NZAuASB_Principles_of_Convergence_and_Harmonisation.pdf
15. Compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate in maintaining or improving audit quality in Australia. Compelling reasons are further guided by the AUASB's policy of harmonisation with the standards of the NZAuASB.
16. ASRE 2410 has been revised and updated several times since the equivalent ISRS 2410 became operative. Extant ASRE 2410 conforms with International Standard on Review Engagements ISRE 2410. The proposed amendments contained in ED 05/19 are mainly to the reporting requirements and do not substantially change the work performed by auditors when conducting a review of a financial report. The proposed amendments in ED 05/19 add to existing requirements of ISRE 2410 and consequently the AUASB considers that proposed ASRE 2410 conforms with ISRE 2410.

Key proposals contained in ED 05/19

17. The key proposals contained in ED 05/19 are to:
- (a) align the format of the review report in ASRE 2410 to the format of the auditor's report in ASA 700 *Forming an Opinion and Reporting on the Financial Report*; and
 - (b) include conforming amendments as a result of recent changes to ASA 250 *Considerations of Laws and Regulations in the Audit of a Financial Report*.
18. The proposed changes are:
- a) To include reviews of financial reports prepared in accordance with a compliance framework within the scope of ASRE 2410;
 - b) To reorder the review report so that the conclusion comes first, followed by a basis for conclusion. This is for consistency with the auditor's report;
 - c) A description of the respective responsibilities of those charged with governance and the auditor in relation to going concern required to be included in the review report;
 - d) The statement about the auditor's independence is required to include the fulfilment of relevant ethical requirements; and
 - e) Referring to material uncertainty related to going concern under the heading "Material Uncertainty Related to Going Concern" instead of an "Emphasis of Matter" as currently required in extant ASRE 2410.
19. The auditor's report now includes enhanced disclosure about preparers and auditor's responsibilities in relation to going concern. The requirement for preparers to make an assessment of the ability of an entity to continue as a going concern also applies when preparing interim financial statements. Similarly, the auditor is required by extant ASRE 2410 to make enquiries as to whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. The AUASB consider it appropriate to highlight those responsibilities in the review report.
20. Changes to ASA 570 require a new heading "Material Uncertainty Related to Going Concern" to be used when the auditor concludes that a material uncertainty in relation to going concern exists and adequate disclosures have been made in the financial report. Extant ASRE 2410 is not consistent with this and requires this to be called an Emphasis of Matter. This is potentially confusing to users.
21. The AUASB is not proposing to require the following reporting in the auditor's review report:
- Key audit matters required by ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*;
 - An Other Information section required by ASA 720 *The Auditor's Responsibility Relating to Other Information*.
22. The reporting of key audit matters in a review report is not considered appropriate in the context of the work that is required to be performed for a review engagement.
23. Extant ASRE 2410 already includes requirements in relation to the auditor's responsibility for Other Information, however does not require this to be communicated in the review report.
24. The AUASB is of the view that it would be inappropriate to require any further reporting on key audit matters and other information until the results of the IAASB's Auditor Reporting post implementation review is known and the IAASB considers whether there is any impact of this on review engagements. The AUASB is seeking stakeholder feedback on this matter.

Explanatory Memorandum

Exposure Draft 05/19: ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*

25. The conforming amendments as a result of the recent changes to ASA 250 are consistent with those made to ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity* in May 2017.

Other Outreach Activities

26. In addition to the public exposure process, during May and June 2019, the AUASB will conduct targeted outreach with specific users of ASRE 2410, in particular auditors of Listed Entities.

Application

27. The proposed effective date of the standard is for financial reporting periods commencing on or after 1 January 2020, with early adoption permitted.

General information

28. ED 05/19 has been provided in a final “clean version” with a link to a track changes version to assist stakeholders in identifying the amendments.
29. ED 05/19 will be open to constituents for a **90 day comment period** closing on **30 July 2019**.
30. At the completion of the exposure period, the AUASB will consider constituents’ submissions.

Website Resources

31. The AUASB welcomes constituents’ input to the development of Australian Auditing Standards and regards both supportive and critical comments as essential to a balanced review of the proposed standards. Constituents are encouraged to access the websites of the [AUASB](#) and the [IAASB](#) to obtain further information.

* *



Australian Government
Auditing and Assurance Standards Board

EXPOSURE DRAFT

ED 05/19
(April 2019)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity
Review of a Financial Report Performed by the Independent Auditor of the Entity

Issued for Comment by the Auditing and Assurance Standards Board



Australian Government
Auditing and Assurance Standards Board

Postal Address: PO Box 204, Collins Street West, VIC 8007

AASB: Phone: + 61 3 9617 7600 Email: standard@asb.gov.au Web: www.aasb.gov.au ABN 92 702 019 575
AUASB: Phone: + 61 3 8080 7400 Email: enquiries@auasb.gov.au Web: www.auasb.gov.au ABN 80 959 780 601

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than [30 July 2019](#). Comments should be addressed to:

The Chair
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

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2019 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this Exposure Draft are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the AUASB.

Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Exposure Draft may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

This Exposure Draft reproduces substantial parts of the corresponding International Standard on [Review Engagements](#) issued by the International Auditing and Assurance Standards Board (IAASB) and published by the International Federation of Accountants (IFAC), in the manner described in the statement on Conformity with International Standards on [Review Engagements](#). The AUASB acknowledges that IFAC is the owner of copyright in the International Standard on [Review Engagements](#) incorporated in this Exposure Draft throughout the world.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only.

Further information and requests for authorisation to reproduce this Exposure Draft for commercial purposes outside Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Any decision to approve a request may also require the agreement of IFAC.

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON REVIEW ENGAGEMENTS

Paragraphs

Application	1
Operative Date	2
Introduction	
Scope of this Auditing Standard on Review Engagements	3
Objective	4
Definitions	5
.	
Requirements	
Performing a Review	6-7
General Principles of a Review of a Financial Report	8-10
Agreeing the Terms of the Engagement	11-12
Procedures for a Review of a Financial Report	13-14
Materiality	15
Enquiries, Analytical and Other Review Procedures	16-20
Comparatives – First Financial Report	21
Evaluation of Misstatements	22
Written Representations	23-24
Auditor’s Responsibility for Accompanying Other Information	25-26
Communication	27-31
Reporting the Nature, Extent and Results of the Review of a Financial Report	32-38
Modified Conclusion	39-40
Departure from the Applicable Financial Reporting Framework	41-42
Limitation on Scope	43
Limitation on Scope Imposed by Management	44-48
Other Limitations on Scope Not Imposed by Management	49
Going Concern and Significant a Material Uncertainty Existsies	50-51
Emphasis of Matter and Other Matter Paragraphs	52-1
Documentation	55
Application and Other Explanatory Material	
Objective	A1-A3
Performing a Review	A4

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

General Principles of a Review of a Financial Report	A5-A7
Agreeing the Terms of the Engagement	A8
Procedures for a Review of a Financial Report.....	A9-A13
Materiality	A14-A18
Enquiries, Analytical and Other Review Procedures	A19-A27
Comparatives – First Financial Report.....	A28-A31
Evaluation of Misstatements	A32-A34
Written Representations	A35
Auditor’s Responsibility for Accompanying Other Information	A36-A37
Communication	A38-A40
Reporting the Nature, Extent and Results of the Review of a Financial Report	A41
Departure from the Applicable Financial Reporting Framework.....	A42-A43
Limitation on Scope	A44
Limitation on Scope Imposed by Management.....	A45-A47
Other Limitations on Scope Not Imposed by Management	A48-A49
Going Concern and Significant a Material Uncertainty Exists Uncertainties	A1-A1
Other Considerations.....	A53-A57
Documentation	A58
<u>Conformity with International Standards on Review Engagements</u>	<u>1-96</u>

PREFACE

Reasons for Issuing ED [05/19](#)

The AUASB issues exposure draft ED [05/19](#) of proposed Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* ~~*Review of a Financial Report Performed by the Auditor of the Entity*~~ pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non corporate Commonwealth entity 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 *Legislation 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 on Review Engagements represents the Australian equivalent of ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and will replace the current ASRE 2410 issued by the AUASB in July 2013.

The *Explanatory Memorandum: Exposure draft 05/19: Proposed Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity* provides an overview of the proposed amendments.

Proposed Operative Date

It is intended that this proposed Auditing Standard on Review Engagements will be operative for financial reporting periods commencing on or after 1 January 2020 with early adoption permitted.

Main changes from existing ASRE 2410 *Auditing Standard on Review Engagements ASRE 2410* (July 2013)

The main differences between this proposed Auditing Standard on Review Engagements and the Auditing Standard on Review Engagements that it supersedes, ASRE 2410 *Auditing Standard on Review Engagements ASRE 2410* (July 2013), are included in the *Explanatory Memorandum: Exposure draft 05/19: Proposed Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity*. This ED is also available in a track changes version to assist stakeholders ([LINK](#)).

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* ~~*Review of a Financial Report Performed by the Auditor of the Entity*~~ by no later than 30 July 2019. The AUASB is seeking comments from respondents on the following questions:

- 1 Do you agree with the proposals to incorporate the reporting requirements made to the annual auditor's report consistently into the interim review report?

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- 2 Do you agree with the scoping of these proposals that they do not require the communication of key review matters, or an update on the status of key audit matters from the previous audit report, for review reports before this is considered by the IAASB?
- 3 Do you agree with the scoping of these proposals that they do not require the inclusion of an Other Information section in the interim review report before this is considered by the IAASB?
- 4 Do agree with requiring the auditor's responsibilities section to be included in the review report, and not provide an option to include parts of this on the AUASB website?
- 5 Do you agree with the proposed amendments to incorporate conforming amendments as a result of NOCLAR?
- 6 Do you agree with including reviews of financial reports prepared in accordance with a compliance framework in ED 05/19?
- 7 Do you consider that there are any further amendments required to be made to ASRE 2410?
- 8 Do you agree with the proposed effective date? -If not, please explain why not.
- 9 Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?
- 10 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?
- 11 Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
- 12 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 significant costs are expected, the AUASB would like to understand:
 - a. Where these costs are likely to occur;
 - b. The estimated extent of costs, in percentage terms (relative to audit fees); and
 - c. Whether expected costs outweigh the benefits to the users of audit services?
- 13 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 on Review 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 Auditing Standard on Review Engagements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard on Review Engagements 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.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Conformity with International Standards on Review Engagements

This Auditing Standard on Review Engagements conforms with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Compliance with this Auditing Standard on Review Engagements enables compliance with ISRE 2410.

AUDITING STANDARD ON REVIEW ENGAGEMENTS ASRE 2410

Review of a Financial Report Performed by the Auditor of the Entity

Application

1. This Auditing Standard on Review Engagements applies to:
 - (a) a review by the independent auditor of the entity, of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose.

Operative Date

2. This Auditing Standard on Review Engagements is operative for financial reporting periods commencing on or after ~~1 January 2010~~ January 2020 with early adoption permitted.

Introduction

Scope of this Auditing Standard on Review Engagements

3. This Auditing Standard on Review Engagements (Auditing Standard) deals with the auditor's responsibilities when an auditor undertakes an engagement to review a financial report of an audit client, and on the form and content of the auditor's review report. The term "auditor" is used throughout this Auditing Standard, not because the auditor is performing an audit function but because the scope of this Auditing Standard is limited to a review of a financial report performed by the independent auditor of the financial report of the entity.

Objective

4. The objective of the auditor is to plan and perform the review to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial report, or complete set of financial statements, is (are) not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A1-A3)

Definitions

5. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
 - (a) An interim financial report means a financial report that is prepared in accordance with an applicable financial reporting framework¹ for a period that is shorter than the entity's financial year.
 - (b) A financial report means a complete set of financial statements including the related notes and an assertion statement by those responsible for the financial report. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting

¹ See, for example, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

framework determine the form and content of the financial report. For example, a financial report, as defined under section 303 of the *Corporations Act 2001* consists of financial statements for the half-year, notes to the financial statements and the directors' declaration about the statements and notes.

- (c) ~~An applicable financial reporting framework means a financial reporting framework that is designed to achieve fair presentation adopted by management, and where appropriate, those charged with governance, in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation. The financial reporting framework may be a fair presentation framework or a compliance framework.~~

The term "fair presentation framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of a financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

The term "compliance framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

Commented [WA1]: As discussed with the AUASB at the March meeting, extant ASRE 2410 does not include compliance frameworks. Added as agreed.

Wording from ASA 200

Requirements

Performing a Review

6. The auditor who is engaged to perform a review of a financial report shall perform the review in accordance with this Auditing Standard. (Ref: Para. A4)
7. Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement in this Auditing Standard, the auditor shall:
 - (a) if possible, perform appropriate alternative procedures; and
 - (b) document in the working papers:
 - (i) the circumstances surrounding the inability to comply;
 - (ii) the reasons for the inability to comply; and
 - (iii) justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report.

General Principles of a Review of a Financial Report

8. The auditor shall comply with relevant ethical requirements relating to the audit of the annual financial report of the entity. (Ref: Para. A5)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

9. The auditor shall implement quality control procedures that are applicable to the individual engagement. (Ref: Para. A6)
10. The auditor shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the financial report to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A7)

Commented [WA2]: An existing difference to NZ SRE 2410 requires compliance with ISA (NZ) 220. ASRE 2410 A 6 says 220 may be helpful. Refer to BMSP for more detail

Commented [WA3R2]:

Agreeing the Terms of the Engagement (Ref: Para. A8, A55 and A57)

Preconditions for a Review

11. The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:
 - (a) for the preparation and fair presentation of the financial report;
 - (b) for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
 - (c) to provide the auditor with:
 - (i) access to information relevant to the preparation of the financial report;
 - (ii) additional information that the auditor may request for the purposes of the review engagement; and
 - (iii) unrestricted access to persons from whom the auditor determines it necessary to obtain evidence.

Commented [YJ4]: To indicate compliance framework

Agreement on Review Engagement Terms

12. The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation.

Procedures for a Review of a Financial Report

Understanding the Entity and its Environment, Including its Internal Control

13. The auditor shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports, sufficient to plan and conduct the engagement so as to be able to:
 - (a) identify the types of potential material misstatements and consider the likelihood of their occurrence; and
 - (b) select the enquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A9-A12)
14. In order to plan and conduct a review of a financial report, a recently appointed auditor, who has not yet performed an audit of the annual financial report in accordance with

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Australian Auditing Standards, shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports. (Ref: Para. A13)

Materiality (Ref: Para. A14-A18)

15. The auditor shall consider materiality, using professional judgement, when:
- (a) determining the nature, timing and extent of review procedures; and
 - (b) evaluating the effect of misstatements.

Enquiries, Analytical and Other Review Procedures

16. The auditor shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A19-A23)
17. The auditor shall obtain evidence that the financial report agrees or reconciles with the underlying accounting records. (Ref: Para. A24)
18. The auditor shall enquire whether management has identified all events up to the date of the review report that may require adjustment to or disclosure in the financial report. (Ref: Para. A25)
19. The auditor shall enquire whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. When, as the result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:
- (a) enquire of those charged with governance as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
 - (b) consider the adequacy of the disclosure about such matters in the financial report. (Ref: Para. A26)
20. When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the financial report to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall make additional enquiries or perform other procedures to enable the auditor to express a conclusion in the review report. (Ref: Para. A27)

Comparatives – First Financial Report (Ref: Para. A28-A31)

21. When comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report.

Evaluation of Misstatements (Ref: Para. A32-A34)

22. The auditor shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the financial report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Written Representations

23. The auditor shall endeavour to obtain written representations from management and, where appropriate, those charged with governance, that:
- (a) They acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and error;
 - (b) The financial report is prepared and presented in accordance with the applicable financial reporting framework;
 - (c) They believe the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of such items is included in or attached to the written representations;
 - (d) They have disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to them that may have affected the entity;
 - (e) They have disclosed to the auditor the results of their assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (f) They have disclosed to the auditor all ~~known-identified or suspected actual or possible~~ non-compliance with laws and regulations, the effects of which are to be considered when preparing the financial report; and
 - (g) They have disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the financial report. (Ref: Para. A35)
24. If management and, where appropriate, those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation on the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate.

Commented [WA5]: wording changed for consistency with ASA 250 (17)

Auditor's Responsibility for ~~Accompanying Other~~ Information

25. The auditor shall read the other information that accompanies the financial report to consider whether ~~there is a material inconsistency any such information is materially inconsistent with~~ the financial report. (Ref: Para. A36)
26. If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor shall discuss the matter with the entity's management, and where appropriate, those charged with governance. (Ref: Para. A37)

Commented [WA6]: Refer BMSP. Have not included a requirement for an OI paragraph or for the auditor to "compare" selected amounts ie. ASA 720 14(a)

Commented [WA7]: consistent language with 720

Communication

- ~~26-27.~~ When, as a result of performing a review of a financial report, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall communicate this matter as soon as practicable to the appropriate level of management.
- 27-28. When, in the auditor's judgement, management does not respond appropriately within a reasonable period of time, the auditor shall inform those charged with governance. (Ref: Para. A38)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

~~28.~~29. When, in the auditor's judgement, those charged with governance do not respond appropriately within a reasonable period of time, the auditor shall consider:

- (a) whether to modify the review report; or
- (b) the possibility of withdrawing from the engagement; and
- (c) the possibility of resigning from the appointment to audit the annual financial report. (Ref: Para. Aus A36.1 and A58)

30. When, as a result of performing the review of a financial report, a matter comes to the auditor's attention that ~~causes the auditor to believe in~~indicates the existence of fraud or non-compliance ~~by the entity with laws and regulations or suspected fraud or non-compliance with laws and regulations, has occurred in the entity,~~ the auditor shall:

- ~~(a) communicate the matter unless prohibited by law or regulation,~~ as soon as practicable to those charged with governance and shall consider the implications for the review. (Ref: Para. A39)
- ~~(b) request management's assessment of the effect (s) on the auditor's conclusion and the review report;~~
- ~~(c) consider the effect on the auditor's conclusion and the review report; and~~
- ~~(d) determine whether law, regulation or relevant ethical requirements:~~
 - ~~(i) require the auditor to report to an appropriate authority outside the entity;~~
 - ~~(ii) establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.~~

Commented [WA8]: Aligns with NOCLAR consequential amendments to ASRE 2400.

~~29.~~31. The auditor shall communicate relevant matters of governance interest arising from the review of the financial report to those charged with governance. (Ref: Para. A40 and A59)

Reporting the Nature, Extent and Results of the Review of a Financial Report

~~30.~~32. The auditor shall issue a written report that contains the following:

- (a) An appropriate title clearly identifying it as a review report of the independent auditor of the entity.
- ~~(b) An addressee, as required by the circumstances of the engagement.~~

~~31.~~33. ~~The first section of the report shall include the auditor's conclusion, and shall have the heading "Conclusion". The Conclusion section of the report shall:~~

- ~~(a) Identify ~~ication of the entity whose~~ financial report ~~has been~~ reviewed;~~
- ~~(b) State that the financial report has been reviewed;~~
- ~~(c) ~~I, including~~ ~~identification of~~ the title of each ~~of the~~ statements contained in the financial report and the date and period covered by the financial report;~~
- ~~(d) Refer to the notes, including the summary of comprising significant accounting policies and other explanatory information.²; and~~

Commented [WA9]: added to ASRE 2410 as is in ASA 700.

² Refer AASB 134 *Interim Financial Reporting*. Relevant for a complete set of financial statements, if a condensed set use the term relevant.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

(e) **Include a conclusion:**

(i) ~~When expressing an unmodified opinion conclusion on a half-year financial report prepared in accordance with the Corporations Act 2001, the report shall include a conclusion as to whether the auditor become aware of any matter that makes the auditor believe that the financial report does not comply with the Corporations Act 2001, including giving a true and fair view of the financial position and its performance, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulation 2001³.~~

Commented [YJ10]: Required wording for Corporations Act engagement. Not in extant 2410 as an explicit requirement, but is in appendix 3. Added here for clarity and as most engagements conducted under ASRE 2410 are for Corps Law.

(ii) ~~When expressing an unmodified conclusion on a financial report prepared using a fair presentation framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial report does not present fairly, or if applicable, is not true and fair, in all material respects, or if applicable is not true and fair, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when Australia is not the origin of the financial reporting framework used).~~

Commented [WA11]: wording in ASRE / ISRE and used for non-Corps law reviews.

(iii) ~~When expressing an unmodified conclusion on a financial report prepared using a compliance framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial report has not been prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when Australia is not the origin of the financial reporting framework used). (Ref A41A and A41)~~

Commented [WA12]: Compliance framework wording from ASA 700 para 26.

~~(b) A statement that those charged with governance are responsible for the preparation and fair presentation of the financial report in accordance with the applicable financial reporting framework.~~

34. ~~The report shall include a section directly following the Conclusion section, with the heading "Basis for Conclusion", that:~~

~~(c) A statement that the auditor is responsible for expressing a conclusion on the financial report based on the review.~~

Commented [WA13]: moved to auditor's responsibilities section

~~(a) A statement States that the review of the financial report was conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, and that that Auditing Standard requires the auditor to comply with ethical requirements relevant to the audit of the annual financial report.~~

~~(b) Refers to the section of the auditor's review report that describes the auditor's responsibilities; and~~

~~(c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit of the annual financial report, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the relevant ethical requirements applicable within Australia.~~

Commented [WA14]: From ASA 700.28.1

Commented [WA15]: From ASA 700

³ Corporation Act 2001 section 309 (4)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (e) ~~A statement that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures;~~
- (f) ~~A statement that a review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit, and that accordingly no audit opinion is expressed;~~
35. ~~The report shall include a section with a heading “Responsibilities of Management for the Financial Report”⁴. The report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to “management”. ~~In some jurisdictions, and the appropriate reference may be to those charged with governance. This section of the report shall describe the responsibilities of management for:~~~~
- (a) ~~A statement that those charged with governance are responsible for the ~~The~~ preparation and fair presentation of the financial report in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and;~~
- (b) ~~Assessing the entity’s ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern.~~
36. ~~When the financial report is prepared in accordance with a fair presentation framework, the description of responsibilities of management for the financial report in the review report shall refer to “the preparation and fair presentation of this financial report” or “the preparation of the financial report that gives a true and fair view”, as appropriate in the circumstances.~~
37. ~~The report shall include a section with a heading “Auditor’s Responsibilities for the Review of the Financial Report”. This section of the report shall:~~
- (a) ~~A statement ~~State~~ that the auditor is responsible for expressing a conclusion on the financial report based on the review;~~
- ~~(e)~~(b) ~~A statement ~~State~~ that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures;~~
- (c) ~~A statement ~~State~~ that a review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit, and that accordingly no audit opinion is expressed; and;~~
- (d) ~~State that the auditor makes enquiries about whether management have changed their assessment of the entity’s ability to continue as a going concern. When, as a result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, the auditor shall:~~

Commented [WA16]: moved to auditor’s responsibilities section

Commented [WA17]: describe used in ASA 700. State used in 2410 extant

Commented [WA18]: Removed as no longer just a fair presentation framework, and added below.

Commented [WA19]: from ASA 700

Commented [WA20]: From ASA 700.36

Commented [WA21]: The term state or describe is used consistent with extant ASRE 2410 and ASA 700

⁴ The review report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to “management”. In some jurisdictions, the appropriate reference may be to those charged with governance.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (i) enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
- (ii) consider the adequacy of the disclosures about such matters in the financial report.

38. The report shall include:

- ~~(a)~~ (a) The date ~~the auditor signs the~~ ~~of the auditor's~~ review report.
- ~~(b)~~ (b) The location in the country or jurisdiction where the auditor practices.
- (c) The name of the engagement partner where required by law or ~~regulation~~⁵.
- ~~(d)~~ (d) ~~The auditor's signature.~~ ~~auditor's signature.~~ (Ref: Para. A41)

Commented [WA22]: from ASA 700 46.1

Modified Conclusion

39. The auditor shall modify the conclusion in the review report ~~when~~:

- ~~(a)~~ (a) The auditor concludes, based on the procedures performed, that a matter has come to their attention that causes them to believe that the financial report as a whole is not free from material misstatement; or
- ~~(b)~~ (b) The auditor is unable to obtain sufficient appropriate evidence to conclude that the financial report as a whole is free from material misstatement.
- ~~(c)~~ (c) Refer to ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* and ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* for wording to use when issuing a modified conclusion.

Commented [WA23]: From ASA 705. Added as provides an introduction.

40. When the auditor modifies the conclusion, the auditor shall:

- ~~(a)~~ (a) Use headings "Qualified Conclusion," "Adverse Conclusion" or "Disclaimer of Conclusion", as appropriate, for the Conclusion section required by paragraph 33 in the review report; ~~and~~:
- ~~(b)~~ (b) Amend the heading "Basis for Conclusion" required by paragraph 34 to "Basis for Qualified Conclusion", "Basis for Adverse Conclusion" or "Basis for Disclaimer of Conclusion", as appropriate. Within this section provide a description of the matter giving rise to the modification.

Departure from the Applicable Financial Reporting Framework

~~32.41.~~ 41. The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall include ~~a basis for modification in the Basis for Qualified Conclusion or Basis for Adverse Conclusion section of the report, paragraph in the report,~~ ~~that describes~~ description of the nature of the departure and, if practicable, states the effects on the financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefor~~e~~ shall be included in the basis for modification

⁵ Consistent with ASA 700 paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to sign the auditors' review 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.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

paragraph. ~~The conclusion paragraph shall be headed “Qualified Conclusion” or “Adverse Conclusion”, whichever is relevant.~~ (Ref: Para. A42)

42. When the effect of the departure is so material and pervasive to the financial report that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial report, the auditor shall express an adverse conclusion. (Ref: Para. A43)

Limitation on Scope (Ref: Para. A44)

- ~~33.43.~~ When the auditor is unable to complete the review, the auditor shall communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a review report.

Limitation on Scope Imposed by Management

- ~~34.44.~~ Unless required by law or regulation, an auditor shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the auditor’s review. (Ref: Para. A45 and A58)
- ~~35.45.~~ If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor’s request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. (Ref: Para. A46)
46. If management and, where appropriate, those charged with governance, refuses the auditor’s request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report, as appropriate, containing the reason(s) why the review cannot be completed.
- ~~47. (Ref: Para. A47) When the auditor disclaims a conclusion on the financial report, the auditor shall not include the elements required by paragraph 34 (b).~~
48. When the auditor disclaims a conclusion on the financial report, the auditor shall amend the descriptions of the auditor’s responsibilities required by paragraph 37 to include only:
- (a) A statement that the auditor’s responsibility is to conduct ~~the~~ a review of the entity’s financial report in accordance with this Auditing Standard; and
 - (b) A statement that because of the matter(s) described in the Basis for Disclaimer of Conclusion section, the auditor was not able to obtain sufficient evidence to provide a review conclusion on the financial report.
 - (c) The statement about auditor independence and other ethical responsibilities required by paragraph 34(c).

Commented [WA24]: Added to comply with ASA 705 para 28

Other Limitations on Scope Not Imposed by Management (Ref: Para. A48-A49)

- ~~36.49.~~ The auditor shall express a qualified conclusion when, in rare circumstances, there is a limitation on the scope of the auditor’s work that is confined to one or more specific matters, which while material, is not in the auditor’s judgement pervasive to the financial report, and when the auditor concludes that an unqualified ~~opinion conclusion~~ cannot be expressed. A qualified conclusion shall be expressed as being “except for” the effects of the matter to which the qualification relates. ~~The conclusion paragraph shall be headed “Qualified Conclusion”.~~

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Going Concern and ~~Significant a Material Uncertainty Existies~~ (Ref: Para. A50-A54)

50. If adequate disclosure about the material uncertainty is made in the financial report, the auditor shall express an unmodified review conclusion and the review report shall ~~add~~ an emphasis of matter paragraph include a separate section under the heading “Material Uncertainty Related to Going Concern” to the review report to highlight a material uncertainty relating to an event or condition that casts significant doubt on the entity’s ability to continue as a going concern. This section shall:
- (a) Draw attention to the note in the financial report that discloses the matter;
 - (b) State that the events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the auditor’s conclusion is not modified in respect of the matter.
51. If a material uncertainty that casts significant doubt on the entity’s ability to continue as a going concern is not adequately disclosed in the financial report, the auditor shall:
- (a) Express a qualified or adverse conclusion, as appropriate; and
 - (b) In the Basis for Qualified or Adverse Conclusion section of the review report, state that ~~The report shall include specific reference to the fact that there is such a~~ material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern and that the financial report does not adequately disclose this matter. Refer to paragraph.

Commented [WA25]: Updated based on ASAj570

Commented [WA26]: from ASA 570 para 23

Emphasis of Matter and Other Matter Paragraphs

52. In circumstances other than a going concern problem, ~~the~~ auditor shall consider adding an Emphasis of Matter paragraph to draw users’ attention to a matter presented or disclosed in the financial report that, in the auditor’s judgement, is of such importance that it is fundamental to users’ understanding of the financial report. highlight a significant uncertainty that is adequately disclosed in the financial report, that came to the auditor’s attention, the resolution of which is dependent upon future events and which may materially affect the financial report.
53. When the auditor includes an Emphasis of Matter paragraph in the review report the auditor shall:
- (a) Include the paragraph within a separate section of the review report with an appropriate heading that includes the term “Emphasis of Matter”.
 - (b) Include a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the financial report. The paragraph shall refer only to information presented or disclosed on the financial report; and
 - (c) Indicate that the auditor’s review conclusion is not modified in respect of the matter emphasised.
54. The auditor shall consider adding an Other Matter paragraph in the review report to communicate a matter other than those that are presented or disclosed in the financial report, that in the auditor’s judgement is relevant to users’ understanding of the review, the auditor’s responsibilities, or the review report, if not prohibited by law or regulation. When including an Other Matter paragraph in the review report, the auditor shall include a separate section with the heading “Other Matter”, or other appropriate heading.

Commented [WA27]: aligned to ASA 706

Commented [WA28]: From ASA 706 (9)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

37. ~~If a significant uncertainty (other than a going concern problem) is not adequately disclosed in the financial report, the auditor shall express a qualified or adverse conclusion, as appropriate. The report shall include specific reference to the fact that there is such a significant uncertainty.~~

Commented [WA29]: no longer necessary

Documentation (Ref: Para. A60)

~~38.55.~~ The auditor shall prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion, and to provide evidence that the review was performed in accordance with this Auditing Standard and applicable legal and regulatory requirements.

* * *

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Application and Other Explanatory Material

Objective (Ref: Para. 4)

- A1. Under paragraph 13, the auditor needs to make enquiries, and perform analytical and other review procedures in order to reduce to a limited level the risk of expressing an inappropriate conclusion when the financial report is materially misstated.
- A2. The objective of a review of a financial report differs significantly from that of an audit conducted in accordance with Australian Auditing Standards. -A review of a financial report does not provide a basis for expressing an opinion whether the financial report gives a true and fair view, or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- A3. A review, in contrast to an audit, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. -A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. -A review may bring significant matters affecting the financial report to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

Performing a Review (Ref: Para 6)

- A4. Through performing the audit of the annual financial report, the auditor obtains an understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the financial report, under paragraph 13, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. -A practitioner who is engaged to perform a review of a financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410*, as the practitioner ordinarily does not have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity.

Although other Auditing Standards do not apply to review engagements, they include guidance which may be helpful to auditors performing reviews covered by this Auditing Standard.

General Principles of a Review of a Financial Report

- A5. Relevant ethical requirements⁶ govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, and technical standards. (Ref: Para. 8)
- A6. The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring. ASQC 1 and ASA 220⁷ include guidance that may be helpful. (Ref: Para. 9)
- A7. An attitude of professional scepticism denotes that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that

Commented [WA30]: not a principle of APES 110

* See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.

⁶ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

⁷ See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

contradicts or brings into question the reliability of documents or representations by management of the entity. ASA 200 includes guidance which may be helpful.* (Ref: Para. 10)

Agreeing the Terms of the Engagement

A8. Written agreement of the terms of the engagement helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of management and, where appropriate, those charged with governance, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:

- (a) the objective of a review of a financial report;
- (b) the scope of the review;
- (c) the responsibilities of management and, where appropriate, those charged with governance for:
 - (i) [the preparation of the financial report in accordance with the applicable financial reporting framework including where relevant their fair presentation](#);
 - (ii) establishing and maintaining effective internal control relevant to the preparation of the financial report; and
 - (iii) making all financial records and related information available to the auditor;
- (d) agreement from management and, where appropriate, those charged with governance:
 - (i) to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records; and
 - (ii) that where any document containing the financial report indicates that the financial report has been reviewed by the entity's auditor, the review report also will be included in the document; and
- (e) the anticipated form and content of the report to be issued, including the identity of the addressee of the report.

An illustrative engagement letter is set out in Appendix 1.- The terms of engagement to review a financial report can also be combined with the terms of engagement to audit the annual financial report.- ASA 210 includes guidance which may be helpful.* (Ref: Para. 12)

Procedures for a Review of a Financial Report

Understanding the Entity and its Environment, Including its Internal Control

A9. Under ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, the auditor who has audited the entity's financial report for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the annual financial report, that was sufficient to conduct the audit. -In planning a review of a financial report, the auditor needs to update this understanding.- The auditor also needs to obtain a sufficient understanding of internal control as it relates to the preparation of the financial

* See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

* See ASA 210 *Agreeing the Terms of Audit Engagements*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

report subject to review, as it may differ from internal control as it relates to the preparation of the annual financial report. (Ref: Para. 13)

- A10. The auditor needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied. (Ref: Para. 13)
- A11. The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:
- (a) reading the documentation, to the extent necessary, of the preceding year's audit, reviews of prior period(s) of the current year, and corresponding period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period financial report;
 - (b) considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial report;
 - (c) reading the most recent annual and comparable prior period financial report;
 - (d) considering materiality with reference to the applicable financial reporting framework as it relates to the financial report, to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements;
 - (e) considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial report;
 - (f) considering significant financial accounting and reporting matters that may be of continuing significance, such as material weaknesses in internal control;
 - (g) considering the results of any audit procedures performed with respect to the current year's financial report;
 - (h) considering the results of any internal audit performed and the subsequent actions taken by management;
 - (i) enquiring of management about the results of management's assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (j) enquiring of management about the effect of changes in the entity's business activities;
 - (k) enquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of the financial report; and
 - (l) enquiring of management of the process by which the financial report has been prepared and the reliability of the underlying accounting records to which the financial report is agreed or reconciled. (Ref: Para. 13)
- A12. The auditor needs to determine the nature of the review procedures, if any, to be performed for components and, where applicable, communicate these matters to other auditors involved in the review.- Factors considered ordinarily include the materiality of, and risk of misstatement in, the financial report components, and the auditor's understanding of the extent to which internal control over the preparation of such reports is centralised or decentralised. (Ref: Para. 13)
- A13. Obtaining an understanding of the entity and its environment enables the auditor to focus the enquiries made, and the analytical and other review procedures applied in performing a review

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

of the financial report in accordance with this Auditing Standard.- As part of obtaining this understanding, ordinarily the auditor makes enquiries of the predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit and for any prior periods in the current year that have been reviewed by the predecessor auditor.- In doing so, ordinarily the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the auditor, any significant risks, including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control. (Ref: Para. 14)

Materiality (Ref: Para. 15)

- A14. The auditor needs to use professional judgement and consider qualitative and quantitative factors in determining materiality.
- A15. Ordinarily, the auditor's consideration of materiality for a review of a financial report is based on the period financial data and accordingly, materiality based on interim period financial data may be less than materiality for annual financial data.- If the entity's business is subject to cyclical variations or if the financial results for the current period show an exceptional decrease or increase compared to prior periods and expected results for the current year, the auditor may, for example, conclude that materiality is more appropriately determined using a normalised figure for the period.
- A16. The auditor's consideration of materiality, in evaluating the effects of misstatements, is a matter of professional judgement and is affected by the auditor's perception of the financial information needs of users of the financial report.
- A17. If the applicable financial reporting framework contains a definition of materiality, it will ordinarily provide a frame of reference to the auditor when determining materiality for planning and performing the review.
- A18. The auditor needs, when relevant, to consider materiality from the perspective of both the entity and the consolidated entity.

Enquiries, Analytical and Other Review Procedures

- A19. A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied. (Ref: Para. 16)
- A20. The auditor ordinarily performs the following procedures:
- (a) Reading the minutes of the meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial report, and enquiring about matters dealt with at meetings for which minutes are not available that may affect the financial report.
 - (b) Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
 - (c) Communicating, where appropriate, with other auditors who are performing a review of the financial report of the entity's significant components.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (d) Enquiring of members of management responsible for financial and accounting matters, and others as appropriate, about the following:
- (i) whether the financial report has been prepared and presented in accordance with the applicable financial reporting framework;
 - (ii) whether there have been any changes in accounting principles or in the methods of applying them;
 - (iii) whether any new transactions have necessitated the application of a new accounting principle;
 - (iv) whether the financial report contains any known uncorrected misstatements;
 - (v) unusual or complex situations that may have affected the financial report, such as a business combination or disposal of a segment of the business;
 - (vi) significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity;
 - (vii) whether related party transactions have been appropriately accounted for and disclosed in the financial report;
 - (viii) significant changes in commitments and contractual obligations;
 - (ix) significant changes in contingent assets and contingent liabilities including litigation or claims;
 - (x) compliance with debt covenants;
 - (xi) matters about which questions have arisen in the course of applying the review procedures;
 - (xii) significant transactions occurring in the last several days of the period or the first several days of the next period;
 - (xiii) knowledge of any fraud or suspected fraud affecting the entity involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report; and
 - (xiv) knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial information communicated by employees, former employees, analysts, regulators or others; and
 - (xv) knowledge of any actual or ~~possible-suspected~~ non-compliance with laws and regulations that could have a material effect on the financial report. If the auditor becomes aware of any actual or suspected non-compliance with laws and regulations ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report provides guidance.
- (e) Applying analytical procedures to the financial report designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the financial report. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and

Commented [WA31]: Updated for consistency of language. Also referring to ASA 250 instead of putting more detailed application material in.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

may be performed manually or with the use of computer-assisted auditing techniques. Appendix 2 to this Auditing Standard contains examples of analytical procedures the auditor may consider when performing a review of a financial report.

- (f) Reading the financial report and considering whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not in accordance with the applicable financial reporting framework. (Ref: Para. 16)
- A21. The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the financial report. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the period. Performing some of the review procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial report. (Ref: Para. 16)
- A22. The auditor performing a review of the financial report is also the auditor of the annual financial report of the entity. For convenience and efficiency, the auditor may decide to perform certain audit procedures concurrently with the review of the financial report. For example, information gained from reading the minutes of meetings of the board of directors in connection with the review of the financial report may also be used for the annual audit. The auditor may decide also to perform, at the time of the review, auditing procedures that would need to be performed for the purpose of the audit of the annual financial report, for example, performing auditing procedures on:
- (a) significant or unusual transactions that occurred during the period, such as business combinations, restructurings, or significant revenue transactions, or
 - (b) opening balances (when applicable). (Ref: Para. 16)
- A23. A review of a financial report ordinarily does not require corroborating the enquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an enquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims, or alternative procedures, may, however, be appropriate if a matter comes to the auditor's attention that causes the auditor to question whether the financial report is in accordance with the applicable financial reporting framework. (Ref: Para. 16)
- A24. The auditor may obtain evidence that the financial report agrees or reconciles with the underlying accounting records by tracing the financial report to:
- (a) the accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
 - (b) other supporting data in the entity's records as necessary. (Ref: Para. 17)
- A25. The auditor need not perform procedures to identify events occurring after the date of the review report. (Ref: Para. 18)
- A26. Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial report, or may be identified as a result of enquiries of management or in the course of performing other review procedures. When such events or conditions come to the auditor's attention, the auditor needs to enquire of those charged with governance as to their plans for future action, such as their plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. The auditor needs to enquire also as to the feasibility of the plans of those charged with governance and whether they believe that the outcome of these plans will improve the situation. Ordinarily, the auditor considers, based on procedures performed, whether it is necessary to corroborate the feasibility of the plans of those charged with governance and whether the outcome of these plans will improve the situation. (Ref: Para. 19)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

A27. For example, if the auditor's review procedures lead the auditor to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the auditor performs additional procedures sufficient to resolve the auditor's questions, such as discussing the terms of the transaction with senior marketing and accounting personnel or reading the sales contract. (Ref: Para. 20)

Comparatives – First Financial Report (Ref: Para. 21)

A28. When comparative information is included in the first financial report and the auditor is unable to obtain sufficient appropriate review evidence to achieve the review objective, a limitation on the scope of the review exists and the auditor needs to modify the review report. Ordinarily, a restriction on the scope of the auditor's work will result in a qualified ("except for") conclusion. In such cases, ordinarily an auditor encourages clear disclosure in the financial report, that the auditor has been unable to review the comparatives. ~~An example of a modified review report is included in Appendix 4.~~

A29. When comparative information is included in the first financial report and the auditor believes a material adjustment should be made to the financial report, under paragraph 393, the auditor needs to modify the review report.

A30. When an entity has come into existence only within the first financial reporting period, comparative information will not be provided in the first financial report and no modified review report is required.

A31. Accounting Standard AASB 101 *Presentation of Financial Statements* provides requirements and explanatory guidance relating to comparative information included in a financial report prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards* provides requirements and guidance relating to comparative information when an entity adopts Australian Accounting Standards for the first time.

Evaluation of Misstatements (Ref: Para. 22)

A32. A review of a financial report, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. However, misstatements which come to the auditor's attention, including inadequate disclosures, need to be evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.

A33. The auditor needs to exercise professional judgement in evaluating the materiality of any misstatements that the entity has not corrected. Ordinarily, the auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or current year, and the potential effect of the misstatements on future interim or annual periods.

A34. The auditor may designate an amount below which misstatements need not be aggregated, because the auditor expects that the aggregation of such amounts clearly would not have a material effect on the financial report. In so doing, under paragraph 15, the auditor needs to consider the fact that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the financial report.

Written Representations

A35. The auditor needs to endeavour to obtain additional representations as are appropriate to matters specific to the entity's business or industry. An illustrative representation letter is set out in Appendix 1. (Ref: Para. 23)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Auditor's Responsibility for Accompanying Other Information

A36. ~~Auditors conducting review engagement under this auditing standard are not required to comply with ASA 720^{*}. However, ASA 720 includes guidance which may be useful. ASA 720 requires auditors to read the other information that accompanies the financial report to consider whether there is a material inconsistency with the financial report. If the auditor identifies a material inconsistency, the auditor needs to consider whether the financial report or the other information needs to be amended. If an amendment is necessary in the financial report and those charged with governance refuse to make the amendment, under paragraph 29, the auditor needs to consider the implications for the review report. If an amendment is necessary in the other information and those charged with governance refuse to make the amendment, the auditor may consider including may, for example, consider including includes an Other Information paragraph in the review report and describes the material misstatement, in the review report an Other Matter Paragraph describing the material inconsistency (ASA 720 and ASA 706 include guidance which may be helpful⁸) or taking other actions, such as withholding the issuance of the review report or withdrawing from the engagement. For example, those charged with governance may present alternative measures of earnings that more positively portray financial performance than the financial report, and such alternative measures are given excessive prominence, or are not clearly defined, or not clearly reconciled to the financial report such that they are confusing and potentially misleading. (Ref: Para. 25)~~

~~Aus A36.1 For a review of a half year financial report under the Corporations Act 2001 (Act), withholding the issuance of the review report and/or withdrawing from the review engagement are not options available under the Act. (Ref: Para. 29)~~

A37. While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the auditor's attention (that is, information, not related to matters appearing in the financial report, that is incorrectly stated or presented). When discussing the matter with the entity's management, ordinarily the auditor considers the validity of the other information and management's responses to the auditor's enquiries, whether valid differences of judgement or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, ordinarily the auditor considers taking further action as appropriate, such as notifying those charged with governance and, if necessary, obtaining legal advice. ASA 720^{*} includes guidance which may be beneficial. (Ref: Para. 26)

Communication

A38. Communications with management and/or those charged with governance are made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, under paragraph 44, the auditor needs to document the communication. (Ref: Para. 28)

A39. The determination of which level of management may also be informed is affected by the likelihood of collusion or the involvement of a member of management. (Ref: Para. 30)

A40. As a result of performing a review of a financial report, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. (Ref: Para. 31)

⁸ See ASA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report, and ASA 706 Emphasis of Matter Paragraphs or Other Matter Paragraphs in the Independent Auditor's Report.

^{*} See ASA 720 The Auditor's Responsibilities Relating to Other Information

Commented [WA32]: Extant 2410 has an OMP if an error in the OI. Still appropriate? Refer to BMSP

Commented [WA33]: Refer to BMSP for detail. Reference to 720 removed as this requires an OI paragraph.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Reporting the Nature, Extent and Results of the Review of a Financial Report (Ref: Para. 32)

A41A. Appendix 4 contains illustrations of the review reports incorporating the elements in paragraphs 32 to 49. With the exception of the Conclusion and Basis for Conclusion sections, this Auditing Standard does not establish requirements for ordering the elements of the review report. However this Auditing Standard requires the use of specific headings, which are intended to assist in making reports more consistent and recognisable.

Commented [WA34]: Based on ASA 700 A19

A41. Paragraph 33 (e) includes the conclusion required for reviews of financial reports conducted in accordance with the Corporations Act 2001, other financial reports prepared under a fair presentation framework and a compliance framework. In some cases, law or regulation governing the review of a financial report may prescribe wording for the auditor's conclusion that is different from the wording described in paragraph ~~32~~33(e). -Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this Auditing Standard for coming to the conclusion remain the same. -ASA 700 includes guidance which may be helpful.⁹ -Illustrative review reports are set out in Appendices 3 and 4.

Departure from the Applicable Financial Reporting Framework (Ref: Para. 33–34)

- A42. If matters have come to the auditor's attention that cause the auditor to believe that the financial report is or may be materially affected by a departure from the applicable financial reporting framework, and those charged with governance do not correct the financial report, the auditor needs to modify the review report. -If the information that the auditor believes is necessary for adequate disclosure is not included in the financial report, the auditor needs to modify the review report and, if practicable, include the necessary information in the review report. Illustrative review reports with a qualified conclusion are set out in Appendix 4.
- A43. Departures from the applicable financial reporting framework, may result in an adverse conclusion. -An illustrative review report with an adverse conclusion is set out in Appendix 4.

Limitation on Scope (Ref: Para. ~~3543~~)

A44. Ordinarily, a limitation on scope prevents the auditor from completing the review.

Limitation on Scope Imposed by Management

- A45. The auditor needs to refuse to accept an engagement to review a financial report if the auditor's preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review because there will be a limitation on the scope of the auditor's review imposed by management of the entity. (Ref: Para. ~~3644~~)
- A46. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor needs to request the removal of that limitation.- If management refuses to do so, the auditor is unable to complete the review and express a conclusion.- In such cases, the auditor needs to communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. Nevertheless, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraphs 27, 28 and 30, the auditor needs to communicate such matters to the appropriate level of management and, where appropriate, those charged with governance. (Ref: Para. ~~3745~~)
- A47. The auditor needs to consider the legal and regulatory requirements, including whether there is a legal requirement for the auditor to issue a report. -If there is such a requirement, the auditor needs to disclaim a conclusion and provide in the review report the reason why the review cannot be completed. -However, if a matter comes to the auditor's attention that causes the

⁹ See ASA 700 Forming an Opinion and Reporting on a Financial Report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

auditor to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework the auditor needs to communicate such a matter in the report. (Ref: Para. 3846)

Other Limitations on Scope Not Imposed by Management (Ref: Para. 39)

- A48. A limitation on scope may occur due to circumstances other than a limitation on scope imposed by management or those charged with governance. In such circumstances, the auditor is ordinarily unable to complete the review and express a conclusion, and is guided by paragraphs 38 and 39 and 4943. There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the financial report. In such circumstances, the auditor needs to modify the review report by indicating that, except for the matter which is described in an explanatory paragraph to the review report, the review was conducted in accordance with this Auditing Standard, and by qualifying the conclusion. Illustrative review reports with a qualified conclusion are set out in Appendix 4.
- A49. The auditor may have expressed a qualified opinion on the audit of the latest annual financial report because of a limitation on the scope of that audit. The auditor needs to consider whether that limitation on scope still exists and, if so, the implications for the review report.

Going Concern and Significant a Material Uncertainty Exists Uncertainties (Ref: Para. 40-4350 and 51)

~~A50. In certain circumstances, an emphasis of matter paragraph may be added to a review report, without affecting the auditor's conclusion, to highlight a matter that is included in a note to the financial report that more extensively discusses the matter. The paragraph would preferably be included after the conclusion paragraph and ordinarily refers to the fact that the conclusion is not qualified in this respect.~~

Commented [WA35]: Removed as no longer required. Covered by the requirement paragraph.

~~A51-A50. The auditor may have modified alerted users to the existence of a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern by adding an emphasis of matter paragraph to a prior audit or review report by adding an emphasis of matter paragraph to highlight a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern. If the material uncertainty still exists and adequate disclosure is made in the financial report, the auditor needs to continue to alert users modify the review report on the current financial report by adding a "Material Uncertainty Related to Going Concern" paragraph section to the review report to highlight the continued material uncertainty.~~

Commented [WA36]: update. not a modification and remove EOM

~~A52-A51. If, as a result of enquiries or other review procedures, a material uncertainty relating to an event or condition comes to the auditor's attention that casts significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the financial report, the auditor needs to alert users by adding a "Material Uncertainty Related to Going Concern" section modify to the review report by adding an emphasis of matter paragraph.~~

Commented [WA37]: as above

~~A53-A52. ASA 570 Going Concern provides information that the auditor may find helpful in considering going concern in the context of the review engagement.~~

~~A54. Ordinarily, a significant uncertainty in relation to any other matter, the resolution of which may materially affect the financial report, would warrant an emphasis of matter paragraph in the auditor's review report.~~

Commented [WA38]: No longer necessary as covered by the requirement

Other Considerations

~~A55-A53. The terms of the engagement include agreement by those charged with governance that, where any document containing a financial report indicates that the report has been reviewed by the entity's auditor, the review report will be also included in the document. If those charged with governance have not included the review report in the document, ordinarily~~

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances. (Ref: Para. 12)

A56-A54. If the auditor has issued a modified review report and those charged with governance issue the financial report without including the modified review report in the document containing the financial report, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual financial report.

Considerations Specific to Public Sector Entities

A57-A55. The auditor needs to agree with the client the terms of engagement. When agreeing the terms of engagement, an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management's responsibilities, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the auditor. Nevertheless, an engagement letter setting out the matters referred to in paragraph A8 may be useful to both the public sector auditor and the client. Public sector auditors, therefore, consider agreeing with the client the terms of a review engagement by way of an engagement letter. (Ref: Para. 12)

A56. In the public sector, the auditor's statutory audit obligation may extend to other work, such as a review of interim financial information.

A58-A57. -Where this is the case, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position not to accept, or to withdraw from a review engagement. The public sector auditor also may not be in the position to resign from the appointment to audit the annual financial report. (Ref: Para. 29(b)-29(c) and 36)

A59-A58. The auditor needs to communicate to those charged with governance and consider the implications for the review when a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or non-compliance by the entity with laws and regulations. In the public sector, the auditor may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities. (Ref: Para. 31)

Documentation (Ref: Para. 44)

A60-A59. The auditor needs to prepare documentation that enables an experienced auditor having no previous connection with the engagement to understand the nature, timing and extent of the enquiries made and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Conformity with International Standards on Review Engagements

Commented [WA39]: To be updated when standard is finalised.

This Auditing Standard on Review Engagements conforms with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

The underlying standard is extant ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*. The underlying standard to extant ASRE 2410 is ISRE 2410 which has not been drafted in “clarity” format by the IAASB.

In 2009, following consultation with constituents in Australia in accordance with normal exposure draft processes, the AUASB ~~has~~ decided that:

- due to the nature of reviews of other historical financial information, a separate Standard is more appropriate than ASRE 2410 being adapted by the auditor for this purpose; and
- ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, developed by the AUASB, deals with reviews of other historical financial information.

Accordingly, ASRE 2410 is intended to conform, with the exceptions listed below, to ISRE 2410 to the extent that ISRE 2410 deals with the review of financial statements by the auditor of the entity.

In 2019, following consultation with constituents in Australia further amendments to ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity have been made to this standard to align the reporting requirements with the revised auditor reporting requirements implemented in ASA 700 Forming an Opinion and Reporting on a Financial Report (operative for financial reporting periods ending on or after 15 December 2016). These amendments are not contained in ISRE 2410.

Except as noted below, this Auditing Standard conforms, to the extent described above, with International Standard ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. The main differences between this Auditing Standard and ISRE 2410 are:

1. This Auditing Standard contains the following requirements that are not contained in ISRE 2410:
 - This Auditing Standard applies to:
 - (a) a review, by the independent auditor of the entity, of a financial report for a half-year in accordance with the *Corporations Act 2001*; and
 - (b) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose (Ref: Para. 1(a) and (b)).
 - Where in rare and exceptional circumstances, factors outside the auditor’s control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor shall:
 - ◆ if possible, perform appropriate alternative procedures; and
 - ◆ document in the working papers:
 - the circumstances surrounding the inability to comply;
 - the reasons for the inability to comply; and

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report (Ref: Para. 7).

- The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:
 - ◆ for the preparation and fair presentation of the financial report;
 - ◆ for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
 - ◆ to provide the auditor with:
 - access to information relevant to the preparation of the financial report;
 - additional information that the auditor may request for the purposes of the review engagement; and
 - unrestricted access to persons from whom the auditor determines it necessary to obtain evidence (Ref: Para. 11).
- The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation (Ref: Para. 12).
- The auditor shall consider materiality, using professional judgement, when:
 - ◆ determining the nature, timing and extent of review procedures; and
 - ◆ evaluating the effect of misstatements (Ref: Para. 15).
- When comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report (Ref: Para. 21).
- If management and, where appropriate, those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation of the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate (Ref: Para. 24).
- When, as a result of performing the review of a financial report, a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or non-compliance by the entity with laws and regulations, the auditor shall communicate the matter as soon as practicable to those charged with governance and shall consider the implications for the review (Ref: Para. 30).
- The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe a material adjustment should be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall include a basis for modification paragraph in the report, that describes the nature of

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

the departure and, if practicable, states the effects on the financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefor shall be included in the basis for modification paragraph. The conclusion paragraph shall be headed “Qualified Conclusion” or “Adverse Conclusion”, whichever is relevant (Ref: Para. 33).

- When the effect of the departure is so material and pervasive to the financial report that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial report, the auditor shall express an adverse conclusion (Ref: Para. 34).
- Unless required by law or regulation, an auditor shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the auditor’s review (Ref: Para. 36).
- If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor’s request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reasons why the review cannot be completed (Ref: Para. 37).
- If management and, where appropriate, those charged with governance, refuses the auditor’s request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report, as appropriate, containing the reason(s) why the review cannot be completed (Ref: Para. 38).
- The auditor shall express a qualified conclusion when, in rare circumstances, there is a limitation on the scope of the auditor’s work that is confined to one or more specific matters, which while material, is not in the auditor’s judgement pervasive to the financial report, and when the auditor concludes that an unqualified opinion cannot be expressed. A qualified conclusion shall be expressed as being “except for” the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed “Qualified Conclusion” (Ref: Para. 39).

39.2. The following requirements in ISRE 2410, paragraph 43(e) and paragraph 43(j), are not contained in this Auditing Standard:

Paragraph 43(e)

“In other circumstances, a statement that management is responsible for the preparation and presentation of the interim financial information in accordance with the applicable financial reporting framework”.

Paragraph 43(j)

“In other circumstances, a conclusion as to whether anything has come to the auditor’s attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards).”

Requirements and guidance on the review of financial statements that are prepared in accordance with a financial reporting framework that is not designed to achieve fair presentation are included in ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

Commented [YJ40]: These paragraphs in the statement of conformity will be updated once the final wording of ED 05/19 is agreed by the AUASB.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

~~40.3.~~ This Auditing Standard includes explanatory guidance not contained within ISRE 2410 on:

- Materiality (Ref. Para. A14 to A18); and
- Comparatives (Ref. Para. A28 to A31).

~~41.4.~~ This Auditing Standard provides illustrative examples that differ in form and content from those contained in ISRE 2410, namely:

- An engagement letter (Appendix 1).
- A written representation letter (Appendix 1).
- The auditor's unmodified review reports (Appendices 3 and 4).
- The auditor's modified review reports (Appendix 4).

~~42.5.~~ This Auditing Standard provides illustrative detailed procedures that may be performed in an engagement to review a financial report that are not contained in ISRE 2410 (Appendix 2).

Compliance with this Auditing Standard on Review Engagements enables compliance with ISRE 2410 to the extent described above.

Appendix 1

(Ref: Para. A8)

EXAMPLE OF AN ENGAGEMENT LETTER FOR A REVIEW OF A FINANCIAL REPORT

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

To [those charged with governance:¹⁰]

Scope

You have requested that we review the half-year financial report¹¹ of [name of entity], which comprises the statement of financial position as at 31 December 20XX, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month¹² period ended on that date, and notes comprising ~~a summary of~~ significant accounting policies and other explanatory information and the directors' declaration. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.

Our review will be conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the ~~Independent Auditor of the Entity, issued by the Auditing and Assurance Standards Board,~~* with the objective of providing us with a basis for reporting whether we have become aware of any matter ~~[anything has come to our attention¹³]~~ that makes [causes] us [to] believe that the half-year financial report ~~is not prepared, in all material respects, in accordance with the *Corporations Act 2001*, including giving a true and fair view of the financial position and its performance, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001/Regulation 2001*.¹⁴ [indicate applicable financial reporting framework]~~. Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of a financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we shall express no such opinion. ASRE 2410 requires us to also comply with the ethical requirements relevant to the audit of the annual financial report of the entity.

We expect to report on the half-year financial report¹⁵ as follows:

[Include text of sample review report - see Appendix 3 or 4 as appropriate.]

The directors [those charged with governance¹⁶] of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. As part of our review, we shall request written representations from management concerning assertions made in connection with the review. We shall also request that where any

¹⁰ Insert the appropriate term, such as "Directors' or 'Board of Management".

¹¹ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹² If the period being reviewed is other than six months, then this should be amended as appropriate.

¹³ Use in a review of a half-year financial report prepared other than in accordance with the *Corporations Act 2001*.

¹⁴ Amend as appropriate - refer paragraph 32 (c).

¹⁵ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹⁶ Insert the appropriate term, such as "Directors or Board of Management".

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

document containing the half-year financial report indicates that the half-year financial report has been reviewed, our review report will also be included in the document.

The directors [those charged with governance] of the [company/registered scheme/disclosing entity] acknowledge and understand they have responsibility to provide us with:

- (i) access to information relevant to the preparation of the half-year financial report;
- (ii) additional information that we may request for the purposes of the review engagement; and
- (iii) unrestricted access to persons from whom we determine it is necessary to obtain evidence.

A review of the half-year financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* and the [Accounting Professional and Ethics Standard Board APES 110 Code of Ethics for Professional Accountants \(The Code\)](#) in relation to the review of the half-year financial report. In conducting our review of the half-year financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis. As part of our review process, we shall also provide you with a written independence declaration as required by the *Corporations Act 2001*.

The *Corporations Act 2001* includes specific restrictions on the employment relationships that can exist between the reviewed entity and its auditors. To assist us in meeting the independence requirements of the *Corporations Act 2001*, and to the extent permitted by law and regulation, we request you discuss with us:

- The provision of services offered to you by [insert firm name] prior to engaging or accepting the service; and
- The prospective employment opportunities of any current or former partner or professional employee of [insert firm name] prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Presentation of the reviewed half-year financial report in electronic format

It is our understanding that [the entity] intends to publish a hard copy of the reviewed half-year financial report and the auditor's review report for members, and to electronically present the reviewed half-year financial report and the auditor's review report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by [the entity] to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of reviewed financial information on the entity's web site is beyond the scope of the review of the half-year financial report. Responsibility for the electronic presentation of the half-year financial report on the entity's web site is that of the [governing body of the entity].

Fees

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

[This letter will be effective for future years unless it is terminated, amended or superseded.¹⁷]

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the half-year financial report.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by

(signed)

.....

Name and Title

Date

¹⁷ Use if applicable.

EXAMPLE OF A REPRESENTATION LETTER

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

Representations by management will vary from one entity to another and from one period to the next. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management have made oral representations which the auditor wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Auditor]

[Date]

This representation letter is provided in connection with your review of the half-year¹⁸ financial report¹⁹ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether you became aware of any matter in the course of the review that makes you believe that the half-year financial report ~~is not in accordance~~ does not comply with the *Corporations Act 2001*.

We acknowledge our responsibility for ensuring that the half-year financial report is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the [company/entity]'s financial position as at [date] and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

We confirm that the half-year financial report is prepared and presented in accordance with the *Corporations Act 2001* and is free of material misstatements, including omissions.

OR

[This representation letter is provided in connection with your review of the financial report²⁰ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the financial report is not, in all material respects²¹, presented fairly in accordance with [applicable financial reporting framework²²].

We acknowledge our responsibility for ensuring that the financial report is in accordance with [applicable financial reporting framework].

We confirm that the financial report is prepared and presented fairly in accordance with [applicable financial reporting framework] and is free of material misstatements, including omissions].

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

¹⁸ If the period being reviewed is other than six months, then this should be amended as appropriate.

¹⁹ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the type of report being reviewed.

²⁰ The term "financial report" should be changed to reflect the type of report being reviewed, as appropriate.

²¹ If a compliance framework are wording in paragraph 32 (c) (iii)

²² Specify the applicable financial reporting framework/requirements.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

[Include representations required by this Auditing Standard (paragraph 23) and those relevant to the entity. Such representations may include the following examples.]

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

1. We have made available to you:
 - (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
 - (b) minutes of all meetings of [shareholders, directors, committees of directors, Boards of Management].
2. We have disclosed to you the results of our assessment of the risk that the [financial report] may be materially misstated as a result of fraud.
3. There:
 - (a) has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
 - (b) has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
 - (c) have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.
4. We are responsible for an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been recorded properly in the accounting records underlying the financial report.
5. We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.
6. We have considered the requirements of Accounting Standard AASB 136 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
7. We believe the effects of uncorrected misstatements summarised in the accompanying schedule are immaterial, both individually and in the aggregate, to the [half-year] financial report taken as a whole.
8. The following have been recorded and/or disclosed properly in the [half-year] financial report:
 - (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
 - ~~9. related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);~~
 - ~~10.(b)~~ share options, warrants, conversions or other requirements;
 - ~~11.(c)~~ arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
 - ~~12.(d)~~ agreements to repurchase assets previously sold;
 - ~~13.(c)~~ material liabilities or contingent liabilities or assets including those arising under derivative financial instruments;

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

~~14.(f)~~ unasserted claims or assessments that our lawyer(s) has advised us are probable of assertion; and

~~15.(g)~~ losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.

~~16.9.~~ ~~We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report. There are no violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial report or as a basis for recording an expense.~~

~~17.10.~~ The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

~~18.11.~~ The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.

~~19.12.~~ There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

~~20.13.~~ We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

~~21.14.~~ No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the [financial report].

We understand that your examination was made in accordance with Auditing Standard on Review Engagements ASRE 2410 and was, therefore, designed primarily for the purpose of expressing a conclusion on the financial report of [the entity], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

Notes:

[The above example representation letter may need to be amended in certain circumstances. The following illustrate some of those situations.]

~~(b)~~(h) Exceptions

Where matters are disclosed in the financial report, the associated representation needs to be amended, for example:

- If a subsequent event has been disclosed, Item 14 (above) could be modified to read:
“Except as discussed in Note X to the financial report, no events have occurred”
- If the entity has plans that impact the carrying values of assets and liabilities, Item 5 (above) could be modified to read:
“The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plan to dispose of segment X, as

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

disclosed in note Y in the financial report, which is discussed in the minutes of the meeting of the governing body²³ held on [date]”.

(e)(i) Other Required Information

Certain entities may be required to include other information in the financial report, for example, performance indicators for government entities. In addition to identifying this information and the applicable financial reporting framework in paragraphs 1 and 2 of the example management representation letter, an additional paragraph similar to the following may be appropriate:

“The disclosures of key performance indicators have been prepared and presented in conformity with [relevant statutory requirements] and we consider the indicators reported to be relevant to the stated objectives of the [entity]”.

(e)(j) Management’s Opinions and Representation in the Notes to the Financial Statements

Where the notes to the financial statements include opinions and representations by management, such matters may be addressed in the representation letter. For example, notes relating to the anticipated outcome of litigation, the intent and ability to hold long-term securities to maturity and plans necessary to support the going concern basis.

(e)(k) Environmental Matters

In situations where there are environmental matters that may, but probably will not, require an outflow of resources, this may be reflected in an addition to Item 9 (above), for example:

“However, the [entity] has received a notice from the Environmental Protection Agency that it may be required to share in the cost of cleanup of the [name] waste disposal site. This matter has been disclosed in Note A in the financial report and we believe that the disclosure and estimated contingent loss is reasonable based on available information.”

(e)(l) Compliance

If, as part of the review, the auditor is required also to report on the entity’s compliance with laws and regulations, a representation may be appropriate acknowledging that management is responsible for the entity’s compliance with applicable laws and regulations and that the requirements have been met. For example, for reviews under the *Corporations Act 2001*, the following paragraph may be added:

“The financial records of the [company, registered scheme or disclosing entity] have been kept so as to be sufficient to enable a financial report to be prepared and reviewed, and other records and registers required by the *Corporations Act 2001* have been kept properly and are up-to-date.

(e)(m) Other Matters

Additional representations that may be appropriate in specific situations may include the following:

- Justification for a change in accounting policy.
- The work of a management expert has been used.

²³ Insert the appropriate term, such as “Directors or Board of Management”.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- Arrangements for controlling the dissemination of the financial report and auditor's review report on the Internet.

Appendix 2

(Ref: Para. A20)

ANALYTICAL PROCEDURES THE AUDITOR MAY CONSIDER WHEN PERFORMING A REVIEW OF A FINANCIAL REPORT

The analytical procedures carried out in a review of a financial report are determined by the auditor's judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

Examples of analytical procedures the auditor may consider when performing a review of a financial report include the following:

- Comparing the financial report with the financial report of the immediately preceding period, with the financial report of the corresponding period of the preceding financial year, with the financial report that was expected by management for the current period, and with the most recent audited annual financial report.
- Comparing the current financial report with anticipated results, such as budgets or forecasts. For example, comparing sources of revenue and the and the cost of sales in the current financial report with corresponding information in:
 - budgets, including expected gross margin(s); and
 - financial information for prior periods.
- Comparing the current financial report with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that reasonably are expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial report with corresponding relationships in the financial report of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
 - by period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts;
 - by product line or source of revenue;
 - by location, for example by component;
 - by attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen; and
 - by several attributes of the transaction, for example, sales by product and month.

ILLUSTRATIVE DETAILED PROCEDURES THAT MAY BE PERFORMED IN AN ENGAGEMENT TO REVIEW A FINANCIAL REPORT

The enquiry, analytical and other procedures carried out in a review of a financial report are determined by the auditor exercising professional judgement in light of the auditor's assessment of the risk of material misstatement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

General

1. Confirm that the engagement team complies with relevant independence and ethical requirements.
2. Prepare and send an engagement letter to the entity.
3. Discuss the terms and scope of the engagement with the engagement team.
4. Obtain or update knowledge and understanding of the business, the key internal and external changes (including laws and regulations), and their effect on the scope of the review, materiality and risk assessment. This can be performed through the following:
 - a. Ascertaining whether there have been any significant changes to the nature and scope of operations.
 - b. Considering the results and effects of previous audits and review engagements.
 - c. Enquiring of persons responsible for financial reporting in respect of matters that impact on the reliability of the underlying accounting records. For example, considering fraud risk, material weaknesses in internal controls and any significant changes to internal control policies and procedures
 - d. Considering the results of any internal audits performed and the subsequent actions taken by management.
 - e. Considering whether additional procedures will be required on any significant accounts where internal controls relating to significant processes have been historically unreliable in detecting and preventing errors in the financial report.

Assess the relevance and impact of the results of the above procedures on the current period.

5. Determine materiality, exercising professional judgement, considering both qualitative and quantitative factors.
6. Enquire of persons responsible for financial reporting about the following:
 - a. Accounting policies adopted and consider whether:
 - i. they comply with the applicable financial reporting framework;
 - ii. they have been applied appropriately; and
 - iii. they have been applied consistently and, if not, consider whether disclosure has been made of any changes in the accounting policies.
 - b. Policies and procedures used to assess asset impairment and any consequential estimation of recoverable amount.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- c. The policies and procedures to determine the fair value of financial assets and financial liabilities.
 - d. New, unusual or complex situations that may have affected the financial report such as a business combination or disposal of a segment of the business. Consider adequacy of additional note disclosures in the financial report.
 - e. Plans to dispose of major assets or business segments.
 - f. Material off-balance sheet transactions, special purpose entities and other equity investments and related accounting treatment and disclosure.
 - g. Knowledge of any allegations of fraud, or suspected fraud.
 - h. Knowledge of any actual or possible significant non-compliance with laws and regulations.
 - i. Compliance with debt covenants.
 - j. Material or unusual related party transactions.
 - k. New or significant changes in commitments, contractual obligations.
7. Obtain and read the minutes of meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial report, and enquire about matters dealt with at meetings for which minutes are not yet available that may affect the financial report.
8. Enquire if actions taken at meetings of shareholders or those charged with governance that affect the financial report have been appropriately reflected therein.
9. Ensure the financial report is agreed to the trial balance and is fairly presented including additional disclosure notes. If applicable, enquire as to whether all intercompany balances have been eliminated.
10. Review other information included in the financial report and document findings. Discuss any material misstatements of fact with the entity's management.

Cash

11. Obtain the bank reconciliations. Enquire about any old or unusual reconciling items with client personnel to assess reasonableness.
12. Enquire about transfers between cash accounts for the period before and after the review date.
13. Enquire whether there are any restrictions on cash accounts.

Revenue and Receivables

14. Enquire about the accounting policies for recognising sales revenue and trade receivables and determine whether they have been consistently and appropriately applied.
15. Obtain a schedule of receivables and determine whether the total agrees with the trial balance.
16. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
17. Obtain an aged analysis of the trade receivables. Enquire about the reason for unusually large accounts, credit balances on accounts or any other unusual balances and enquire about the ~~collectability~~collectability of receivables.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

18. Consider, with management, the classification of receivables, including non-current balances, net credit balances and amounts due from shareholders, those charged with governance and other related parties in the financial report.
19. Enquire about the method for identifying “slow payment” accounts and setting allowances for doubtful accounts and consider it for reasonableness.
20. Enquire whether receivables have been pledged, factored or discounted and determine whether they have been properly accounted for.
21. Enquire about procedures applied to ensure that a proper cut-off of sales transactions and sales returns has been achieved.
22. Enquire whether accounts represent goods shipped on consignment and, if so, whether adjustments have been made to reverse these transactions and include the goods in inventory.
23. Enquire whether any large credits relating to recorded income have been issued after the balance sheet reporting date and whether provision has been made for such amounts. Consider the reasonableness of any provisions.

Inventories

24. Obtain the inventory list and determine whether:
 - a. the total agrees with the balance in the trial balance; and
 - b. the list is based on a physical count of inventory.
25. Enquire about the method for counting inventory.
26. Where a physical count was not carried out on the balance sheet date, enquire whether:
 - a. a perpetual inventory system is used and whether periodic comparisons are made with actual quantities on hand; and
 - b. an integrated cost system is used and whether it has produced reliable information in the past.
27. Consider adjustments made resulting from the last physical inventory count.
28. Enquire about procedures applied to control cut-off and any inventory movements.
29. Enquire about the basis used in valuing each inventory classification and, in particular, regarding the elimination of inter-branch profits. Enquire whether inventory is valued at the lower of cost and net realisable value (or lower of cost and replacement cost for not-for-profit organisations).
30. Consider the consistency with which inventory valuation methods have been applied, including factors such as material, labour and overhead.
31. Compare amounts of major inventory categories with those of prior periods and with those anticipated for the current period. Enquire about major fluctuations and differences.
32. Compare inventory turnover with that in previous periods.
33. Enquire about the method used for identifying slow moving and obsolete inventory and whether such inventory has been accounted for at net realisable value.
34. Enquire whether any inventory has been consigned to the entity and, if so, whether adjustments have been made to exclude such goods from inventory.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

35. Enquire whether any inventory is pledged, stored at other locations or on consignment to others and consider whether such transactions have been accounted for appropriately.

Investments (Including Associated Entities and Financial Instruments)

36. Obtain a schedule of the investments at the balance sheet reporting date and determine whether it agrees with the trial balance.
37. Enquire whether the accounting policy applied to investments is consistent with prior periods.
38. Enquire from management about the carrying values of investments. Consider whether there are any realisation problems.
39. Enquire whether there are any new investments, including business combinations. Consider classification, measurement and disclosure in respect of material or significant acquisitions.
40. Consider whether gains and losses and investment income have been properly accounted for.
41. Enquire about the classification of long-term and short-term investments.

Property Plant and Equipment and Depreciation

42. Obtain a schedule of the property, plant and equipment indicating the cost and accumulated depreciation and determine whether it agrees with the trial balance.
43. Enquire about the accounting policy applied regarding residual values, provisions to allocate the cost of property, plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether there are any indicators of impairment and whether the property, plant and equipment have suffered a material, permanent impairment in value.
44. Discuss with management the additions and deletions to property, plant and equipment accounts and accounting for gains and losses on disposals or de-recognition. Enquire whether all such transactions have been properly accounted for.
45. Enquire about the consistency with which the depreciation method and rates have been applied and compare depreciation provisions with prior years.
46. Enquire whether there are any restrictions on the property, plant and equipment.
47. Enquire whether lease agreements have been properly reflected in the financial report in conformity with current accounting pronouncements.

Prepaid Expenses, Intangibles and Other Assets

48. Obtain schedules identifying the nature of these accounts and determine whether they agree with the trial balance. Discuss recoverability thereof with management.
49. Enquire whether management have updated their impairment calculations in respect of goodwill or other intangibles. Consider whether there have been any indicators of impairment for intangibles and enquire whether management have appropriately considered discount rates, growth rates, etc.
50. Enquire about the basis for recording these accounts and the amortisation methods used.
51. Compare balances of related expense accounts with those of prior periods and obtain explanations for significant variations with management.
52. Discuss the classification between current and non-current accounts with management.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Investment Property

53. Obtain a schedule of investment property and determine whether it agrees with the trial balance.
54. Enquire whether the accounting policy applied to investment property is consistent with prior periods.
55. Update with management the acquisitions and disposals to investment property and accounting for gains and losses on disposals or de-recognition. Determine whether all significant transactions have been accounted for appropriately.
56. Consider whether there are any indicators of impairment and whether any investment property was subject to recent valuations.

Loans Payable

57. Obtain from management a schedule of loans payable and determine whether the total agrees with the trial balance.
58. Enquire whether there are any loans where there has been a change to the terms and conditions or management has not complied with the provisions of the loan agreement, including any debt covenants. Assess whether loans have been appropriately classified as current or non-current in the financial report.
59. Where material, consider the reasonableness of interest expense in relation to loan balances.
60. Enquire whether loans payable are secured. Review loan and working capital facilities. Enquire if options to extend terms have been exercised or if any debt requires refinancing.

Trade Payables

61. Enquire about the accounting policies for initially recording trade payables and whether the entity is entitled to any allowances given on such transactions.
62. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
63. Obtain a schedule of trade payables and determine whether the total agrees with the trial balance.
64. Enquire whether balances are reconciled with the creditors' statements and compare with prior period balances. Compare turnover with prior periods.
65. Consider whether there could be material unrecorded liabilities.
66. Enquire whether payables to shareholders, those charged with governance and other related parties are separately disclosed.

Other Liabilities and Contingent Liabilities

67. Obtain a schedule of other liabilities and determine whether the total agrees with the trial balance.
68. Compare major balances of related expense accounts with similar accounts for prior periods.
69. Enquire about approvals for such other liabilities, terms of payment, compliance with terms, collateral and classification.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

70. Enquire about other liabilities to assess whether the methodology and assumptions adopted are consistent with prior periods. Enquire whether there are any unusual trends and developments affecting accounting estimates.
71. Enquire as to the nature of amounts included in contingent liabilities and commitments.
72. Enquire whether any actual or contingent liabilities exist which have not been recognised in the accounts. If so, enquire with management and/or those charged with governance whether provisions need to be made in the accounts or whether disclosure should be made in the notes to the financial report.

Income and Other Taxes

73. Enquire from management if there were any events, including disputes with taxation authorities, which could have a significant effect on the taxes payable by the entity. Examine correspondence in relation to any significant matters arising and assess whether events have been reflected appropriately in the financial report.
74. Consider the tax expense in relation to the entity's income for the period.
75. Enquire from management as to the adequacy of the recognised deferred and current tax assets and/or liabilities including provisions in respect of prior periods.

Financial Instruments

76. Enquire or update knowledge and understanding with persons responsible for financial reporting (including any treasury specialist), of what derivatives are in place, what accounting policies are applied to these derivatives and whether they have been consistently applied.
77. Enquire whether any hedges have been entered into for speculative purposes.
78. Enquire whether there are adequate policies and procedures to determine the fair value of financial assets and financial liabilities.
79. Enquire whether there are any sales and transfers that may call into question the classification of investments in securities, including management's intent and ability with respect to the remaining securities classified as held to maturity.

Employee Share Plans

80. Enquire about any new employee share plans or changes to existing plans, and where employee share plans are material, assess whether the accounting methodology has been consistently applied.

Subsequent Events

81. Obtain from management the latest financial report and compare it with the financial report being reviewed or with those for comparable periods from the preceding year.
82. Enquire about events after the balance sheet reporting date that would have a material effect on the financial report under review and, in particular, enquire whether:
 - a. any substantial commitments or uncertainties have arisen subsequent to the balance sheet date;
 - b. any significant changes in the share capital, long-term debt or working capital have occurred up to the date of enquiry; and
 - c. any unusual adjustments have been made during the period between the balance sheet reporting date and the date of enquiry.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Consider the need for adjustments or disclosure in the financial report.

83. Obtain and read the minutes of meetings of shareholders, those charged with governance and appropriate committees subsequent to the balance sheet date and consider any impact of the financial report and disclosures.

Litigation

84. Enquire from persons responsible for financial reporting, and where appropriate in-house litigation specialists, whether the entity is the subject of any legal actions - threatened, pending or in process. Consider the effect thereof on the financial report and any provision for loss.

Equity

85. Obtain and consider a schedule of the transactions in the equity accounts, including new issues, retirements and dividends. Consider whether there are any unusual terms for new issues of debt or equity which could affect classification.
86. Enquire whether there are any restrictions on retained earnings or other equity accounts.

Operations

87. Compare results with those of prior periods and those expected for the current period. Obtain explanations of significant variations with management.
88. Enquire whether the recognition of major revenue and expenses have taken place in the appropriate periods.
89. Enquire whether the policies and procedures related to revenue recognition, including accrued income, have been consistently applied and whether there are any new or complex changes, including any changes in major contracts with customers or suppliers.
90. Consider and update with management the relationship between related items in the revenue account and assess the reasonableness thereof in the context of similar relationships for prior periods and other information available to the auditor.
91. Discuss the policy in respect of capitalisation of interest and whether it is in accordance with Australian Accounting Standards.

Going Concern Assessment

92. Consider the going concern assumption. When events or conditions come to attention which cast significant doubt on the entity's ability to continue as a going concern, perform additional procedures to assess the impact on the financial report and review report. Additional procedures may include:
- i. Discussion with those charged with governance to understand the events and circumstances that have contributed to the current situation to determine whether the risk arising can be mitigated.
 - ii. Plans for future actions, such as plans or intentions to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.
 - iii. Feasibility of the plans and whether those charged with governance believe that the outcome of these plans will improve the situation.
93. Consider the adequacy of disclosure about such matters in the financial report

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Evaluation of Misstatements

94. Ensure significant review differences have been summarised and their effect evaluated.
95. Ensure material adjustments identified are notified to management/ those charged with governance (as appropriate).

Written Representations

96. Obtain written representation from the directors/management/those charged with governance (as appropriate) to confirm matters arising during the course of the review engagement.

Documentation

97. Ensure that review documentation is sufficient and appropriate to provide a basis for the conclusion and to provide evidence of compliance with ASRE 2410.

Appendix 3

(Ref: Para. A41)

AN AUDITOR'S REVIEW REPORT UNDER THE *CORPORATIONS ACT 2001*

Financial Report for a Half-year

Introduction

1. This Appendix has been prepared to assist an auditor, engaged to undertake a review engagement, by providing an example of an auditor's review report on a review of a financial report for a half-year prepared in accordance with Part 2M.3 of the *Corporations Act 2001* ("The Act"). The example reflects both requirements of this Auditing Standard and the Act, but is not intended to require standard wording for the circumstances of particular modifications.
2. This Appendix contains limited extracts from the Act and the Australian Accounting Standards in order to provide a context for the example report included in this Appendix. These selected extracts are included in this Appendix only for the purpose stated and accordingly are not intended to be an exhaustive list of an auditor's obligations and requirements which are found elsewhere in this Auditing Standard, the Act, the Australian Accounting Standards and other relevant mandates.
3. This Appendix:
 - a) Includes selected extracts from the Act and Australian Accounting Standards, and references to other relevant information, to provide a contextual framework; and
 - b) Provides an example of a review report.

Contextual Framework

Corporations Act 2001

The following selected extracts from the Act are included in this Appendix only to point to some of the important requirements of the Act that affect auditors engaged to undertake a review engagement in accordance with the Act.

4. Section 302 states:

"A disclosing entity²⁴ must:

 - (a) prepare a financial report and directors' report for each half-year; and
 - (b) have the financial report audited or reviewed in accordance with Division 3 and obtain an auditor's report; and
 - (c) lodge the financial report, the director's report and the auditor's report on the financial report with ASIC;

unless the entity is not a disclosing entity when lodgement is due".

²⁴ The definition of a "disclosing entity" is found in Part 1.2A, Division 2, section 111AC of the *Corporations Act 2001*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

5. Section 303(1) states:

- a) “The financial report for a half-year consists of:
- b) the financial statements for the half-year;
- c) the notes to the financial statements; and
- d) the directors’ declaration about the statements and notes”.

6. Section 304 states:

“The financial report for a half-year must comply with the accounting standards and any further requirements in the regulations”.

7. Section 305 states:

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

- a) the financial position and performance of the disclosing entity; or
- b) if consolidated financial statements are required the financial position and performance of the consolidated entity.

This section does not affect the obligation under section 304 for financial reports to comply with accounting standards.

Note: If the financial statements prepared in compliance with the accounting standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph 303(3)(c)”.

8. Section 309(4) states:

“An auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe the financial report does not comply with Division 2”.

9. Section 309(5) states:

“A report under subsection (4) must:

- a) Describe any matter referred to in subsection (4); and
- b) Say why that matter makes the auditor believe that the financial report does not comply with Division 2”.

10. Section 309(5A) states:

“The auditor’s report must include any statements or disclosures required by the auditing standards”.

11. Section 320 states:

“A disclosing entity that has to prepare or obtain a report for a half-year under Division 2 must lodge the report with ASIC within 75 days after the end of the half-year”.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Other Information – ASIC and ASX

12. An auditor, in the role of auditor, is required by section 311 of the Act to notify ASIC if the auditor is aware of certain circumstances. ASIC Regulatory Guide 34 *Auditors' obligations: reporting to ASIC* (~~December 2007~~ May 2013), provides guidance to help auditors comply with their obligations under section 311 of the Act.
13. ASIC and the ASX have agreed that listed entities can satisfy the requirements of the Act by lodging the half-year financial report, the directors' report, and the review report on the financial report with the ASX. Details are provided in ASIC Regulatory Guide 28 *Relief from dual lodgement of financial reports* (July 2003) and *ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2601/181 Class Order 98/104* (as amended by Class Orders 99/90 and 99/837).

Australian Accounting Standards

14. Minimum Components of an Interim Financial Report – AASB 134 Interim Financial Reporting, ~~paragraph~~ paragraph 8:

An interim financial report shall include, at a minimum, the following components:

- a. a condensed statement of financial position;
- b. a condensed statement of comprehensive income;
- c. a condensed statement of changes in equity showing either:
 - i. all changes in equity; or
 - ii. changes in equity other than those arising from capital transactions with owners and distributions to owners;
- d. a condensed statement of cash flows; and
- e. selected explanatory notes.

15. Form and Content of Interim Financial Reports - AASB 134 paragraph 9 states:

“If an entity publishes a complete financial report as its interim financial report, the form and content of that report shall conform to the requirements of AASB 101 for a financial report”.

16. Form and Content of Interim Financial Reports – AASB 134 paragraph 10 states:

“If an entity publishes a condensed financial report as its interim financial report, that condensed report shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading”.

17. Materiality - AASB 134 paragraph 23 states:

“In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data”.

**EXAMPLE OF AN UNMODIFIED AUDITOR'S REVIEW REPORT ON
A CONDENSED HALF-YEAR FINANCIAL REPORT – SINGLE
DISCLOSING ENTITY – *CORPORATIONS ACT 2001***

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of [name of entity]

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of [name of company], which comprises the condensed statement of financial position as at 31 December 20XX, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies [statement or description of accounting policies²⁵] and other explanatory information, and the directors' declaration.²⁶

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of [name of company] ~~does not in accordance~~ comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the [name of entity's] financial position as at 31 December 20XX and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 audit of the annual 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 review report.²⁷

*Responsibilities of the Directors for the Financial Report*²⁸

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors

²⁵ Insert relevant statement or description of accounting policies as required by AASB 134.

²⁶ When the auditor is aware that the half-year financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited half-year financial report is presented.

²⁷ 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 review report was made.

²⁸ Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the half-year financial report the directors are responsible for the assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 20XX and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether the Directorsmanagement have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of the Directorsmanagement as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the half-year financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's name and signature]²⁹

[Name of firm]²⁹

[Date of the auditor's review report]³⁰

[Auditor's address]

²⁹ Consistent with ASA 700 Paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to sign the auditors' review 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. The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

³⁰ The date of the auditor's report is the date the auditor signs the report.

Appendix 4

(Ref: Para. A41)

Illustrations of Auditors' Review Reports for financial reports not prepared under the *Corporations Act 2001* —Unmodified and Modified Conclusions

Example ~~of an~~A - Unmodified Auditor's Review Report on a Financial Report
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example ~~of an~~B - Auditor's Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example ~~C - of an~~C - Auditor's Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example ~~of an~~D - Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example ~~of an~~E - Auditor's Review Report with a Qualified Conclusion (Except for) on the Basis that Comparatives have not been Reviewed or Audited
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example ~~of an~~F - Unmodified Auditor's Review Report on a Financial Report
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Compliance.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

**EXAMPLE ~~A OF AN~~ - UNMODIFIED AUDITOR'S REVIEW REPORT ON A
FINANCIAL REPORT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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 policies³¹, and [the declaration by those charged with governance].^{32, 33}

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"³⁴] the financial position of the [entity] as at [date], and its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibilities of Management for the Financial Report*³⁵

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Review of the Financial Report

³¹ Insert relevant statement or description of accounting policies as required by AASB 134

³² When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

³³ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

³⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

³⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not present fairly, in all material respects, [or “give a true and fair view of”] the financial position of the [entity] as at [date] and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management has changed their assessment of the Company’s ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s review report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature]³⁶

[Date of the auditor’s review report]³⁷

[Auditor’s address]

³⁶ The auditor’s review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

³⁷ The date of the auditor’s report is the date the auditor signs the report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

EXAMPLE ~~OF ANB~~ - AUDITOR'S REVIEW REPORT WITH A QUALIFIED CONCLUSION (EXCEPT FOR) FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK

FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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, and [the declaration by those charged with governance³⁸],^{39, 40}

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁴¹] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

Based on information provided to us by management, [name of entity] has excluded from property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$ _____, long-term debt by \$ _____, and net income and earnings per share would be increased (decreased) by \$ _____ and \$ _____ respectively for the [period] ended on that date.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the ~~[period]~~ Financial Report⁴²

Management are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair

³⁸ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

³⁹ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁴⁰ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁴¹ *ASA 700 Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁴² Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁴³] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's signature]⁴⁴

[Date of the auditor's review report]⁴⁵

[Auditor's address]

⁴³ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁴⁴ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁴⁵ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE ~~COF AN~~ - AUDITOR'S REVIEW REPORT WITH A QUALIFIED
CONCLUSION FOR A LIMITATION ON SCOPE NOT IMPOSED BY
MANAGEMENT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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 policies⁴⁶, and [the declaration by those charged with governance⁴⁷].^{48, 49}

Based on our review, which is not an audit, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁵⁰] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$ _____ included in the [period] financial report. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. We consider the possible effects incapable of reliable measurement at this time. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial report.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibility of Management for the Financial Report*⁵¹

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair

⁴⁶ Insert relevant statement or description of accounting policies as required by AASB 134

⁴⁷ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁴⁸ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁴⁹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁵⁰ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁵¹ Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁵²] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁵³]

[Date of the auditor's review report]⁵⁴

[Auditor's address]

⁵² ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁵³ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁵⁴ The date of the auditor's report is the date the auditor signs the report.

EXAMPLE ~~DOF AN~~ AUDITOR'S REVIEW REPORT WITH AN ADVERSE CONCLUSION FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK

FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Adverse Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, notes comprising a summary of accounting policies⁵⁵, and the director's declaration⁵⁶,⁵⁷,⁵⁸

Based on our review, which is not an audit, because of the significance of the matter described in the *Basis for Adverse Conclusion* section of our report, this [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁵⁹] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Adverse Conclusion

As explained in Note X, commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial reports of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the financial report would have been materially different. The effects on the financial report of the failure to consolidate have not been determined.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the ~~[period]~~ Financial Report

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair

⁵⁵ Insert relevant statement or description of accounting policies.

⁵⁶ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁵⁷ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁵⁸ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁵⁹ *ASA 700 Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, [those charged with governance] are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁶⁰] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁶¹]

[Date of the auditor's review report]⁶²

[Auditor's address]

⁶⁰ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁶¹ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁶² The date of the auditor's report is the date the auditor signs the report.

EXAMPLE ~~OF AN~~ - AUDITOR'S REVIEW REPORT WITH A QUALIFIED CONCLUSION (EXCEPT FOR) ON THE BASIS THAT COMPARATIVES HAVE NOT BEEN REVIEWED OR AUDITED

Commented [YJ41]: Refer BMSP para 32
Not in accordance with ASA 510 para 21

FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and cash flow statement for the [period] ended on that date, and notes to the financial report, including a summary of significant accounting policies⁶³], and [the declaration of those charged with governance⁶⁴].^{65, 66}

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Conclusion section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of⁶⁷"] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

As this is the first year that [name of entity] is required to prepare a [period] financial report and have it reviewed, the balance sheet, income statement, statement of changes in equity, cash flow statement, [statement or description of accounting policies⁶⁸] and other selected explanatory notes for the preceding corresponding [period] have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the [period] ended [date of preceding corresponding period]. We have, however, audited the financial report for the preceding financial year ended [date of preceding financial year] and therefore our review statement is not qualified in respect of the comparative information for the year ended [date of preceding financial year] included in the balance sheet.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

⁶³ Insert relevant statement or description of accounting policies.

⁶⁴ Amend these terms to reflect the appropriate assertion and title for those charged with governance.

⁶⁵ When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

⁶⁶ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁶⁷ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁶⁸ Insert relevant statement or description of accounting policies.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of [name of entity], would be in the same terms if given to the directors as at the time of this auditor's review report.⁶⁹

Responsibility of Management for the ~~[period]~~ Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, [those charged with governance] are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁷⁰] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial Report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁷¹]

[Date of the auditor's review report]⁷²

[Auditor's address]

⁶⁹ 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 review report was made.

⁷⁰ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁷¹ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁷² The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE ~~FOR AN~~ - UNMODIFIED AUDITOR'S REVIEW REPORT ON A
FINANCIAL REPORT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE COMPLIANCE**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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, and [the declaration by those charged with governance⁷³].^{74, 75}

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] has not been prepared, in all material respects, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Commented [WA42]: Same as the auditor's report. Independence

*Responsibility of Management for the Financial Report*⁷⁶

Management of the [type of entity] are responsible for the preparation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the financial report has not been prepared, in all material respects in accordance with [applicable financial reporting framework].

⁷³ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁷⁴ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁷⁵ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁷⁶ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management has changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]⁷⁷

[Date of the auditor's review report]⁷⁸

[Auditor's address]

⁷⁷ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁷⁸ The date of the auditor's report is the date the auditor signs the report.

**AN AUDITOR'S REVIEW REPORT UNDER THE
*CORPORATIONS ACT 2001***

Financial Report for a Half-year

Introduction

1. This Appendix has been prepared to assist an auditor, engaged to undertake a review engagement, by providing an example of an auditor's review report on a review of a financial report for a half-year prepared in accordance with Part 2M.3 of the *Corporations Act 2001* ("The Act"). The example reflects both requirements of this Auditing Standard and the Act, but is not intended to require standard wording for the circumstances of particular modifications.
2. This Appendix contains limited extracts from the Act and the Australian Accounting Standards in order to provide a context for the example report included in this Appendix. These selected extracts are included in this Appendix only for the purpose stated and accordingly are not intended to be an exhaustive list of an auditor's obligations and requirements which are found elsewhere in this Auditing Standard, the Act, the Australian Accounting Standards and other relevant mandates.
3. This Appendix:
 - a) Includes selected extracts from the Act and Australian Accounting Standards, and references to other relevant information, to provide a contextual framework; and
 - b) Provides an example of a review report.

Contextual Framework

Corporations Act 2001

The following selected extracts from the Act are included in this Appendix only to point to some of the important requirements of the Act that affect auditors engaged to undertake a review engagement in accordance with the Act.

4. Section 302 states:

"A disclosing entity¹ must:

- (a) prepare a financial report and directors' report for each half-year; and
- (b) have the financial report audited or reviewed in accordance with Division 3 and obtain an auditor's report; and
- (c) lodge the financial report, the director's report and the auditor's report on the financial report with ASIC;

unless the entity is not a disclosing entity when lodgement is due".

¹ The definition of a "disclosing entity" is found in Part 1.2A, Division 2, section 111AC of the *Corporations Act 2001*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

5. Section 303(1) states:

- a) “The financial report for a half-year consists of:
- b) the financial statements for the half-year;
- c) the notes to the financial statements; and
- d) the directors’ declaration about the statements and notes”.

6. Section 304 states:

“The financial report for a half-year must comply with the accounting standards and any further requirements in the regulations”.

7. Section 305 states:

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

- a) the financial position and performance of the disclosing entity; or
- b) if consolidated financial statements are required the financial position and performance of the consolidated entity.

This section does not affect the obligation under section 304 for financial reports to comply with accounting standards.

Note: If the financial statements prepared in compliance with the accounting standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph 303(3)(c)”.

8. Section 309(4) states:

“An auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe the financial report does not comply with Division 2”.

9. Section 309(5) states:

“A report under subsection (4) must:

- a) Describe any matter referred to in subsection (4); and
- b) Say why that matter makes the auditor believe that the financial report does not comply with Division 2”.

10. Section 309(5A) states:

“The auditor’s report must include any statements or disclosures required by the auditing standards”.

11. Section 320 states:

“A disclosing entity that has to prepare or obtain a report for a half-year under Division 2 must lodge the report with ASIC within 75 days after the end of the half-year”.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Other Information – ASIC and [ASX](#)

12. [An](#) auditor, in the role of auditor, is required by section 311 of the Act to notify ASIC if the auditor is aware of certain circumstances. ASIC Regulatory Guide 34 *Auditors' obligations: reporting to ASIC* (~~December 2007~~[May 2013](#)), provides guidance to help auditors comply with their obligations under section 311 of the Act.
13. ASIC and the ASX have agreed that listed entities can satisfy the requirements of the Act by lodging the half-year financial report, the directors' report, and the review report on the financial report with the ASX. Details are provided in ASIC Regulatory Guide 28 *Relief from dual lodgement of financial reports* (July 2003) and ~~Class Order 98/104 (as amended by Class Orders 99/90 and 99/837)~~[ASIC Corporations \(Electronic Lodgement of Financial Reports\) Instrument 2601/181](#).

Australian Accounting Standards

14. Minimum Components of an Interim Financial Report – AASB 134 Interim Financial Reporting, paragraph 8:

An interim financial report shall include, at a minimum, the following components:

- a. a condensed statement of financial position;
- b. a condensed statement of comprehensive income;
- c. a condensed statement of changes in equity showing either:
 - i. all changes in equity; or
 - ii. changes in equity other than those arising from capital transactions with owners and distributions to owners;
- d. a condensed statement of cash flows; and
- e. selected explanatory notes.

15. Form and Content of Interim Financial Reports - AASB 134 paragraph 9 states:

"If an entity publishes a complete financial report as its interim financial report, the form and content of that report shall conform to the requirements of AASB 101 for a financial report".

16. Form and Content of Interim Financial Reports – AASB 134 paragraph 10 states:

"If an entity publishes a condensed financial report as its interim financial report, that condensed report shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading".

17. Materiality - AASB 134 paragraph 23 states:

"In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data".

**EXAMPLE OF AN UNMODIFIED AUDITOR'S REVIEW REPORT ON A
HALF-YEAR FINANCIAL REPORT – SINGLE DISCLOSING ENTITY**
**EXAMPLE OF AN UNMODIFIED AUDITOR'S REVIEW REPORT ON
A CONDENSED HALF-YEAR FINANCIAL REPORT – SINGLE
DISCLOSING ENTITY – CORPORATIONS ACT 2001**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of [name of entity]

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of [name of ~~entity~~company], which comprises the condensed statement of financial position as at 31 December 20XX, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies [statement or description of accounting policies²] and other explanatory information, and the directors' declaration.³

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of [name of company] *Directors' Responsibility* does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the [name of entity's] financial position as at 31 December 20XX and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 audit of the annual 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 review report.⁴

Responsibilities of the Directors for the Financial Report⁵

² Insert relevant statement or description of accounting policies as required by AASB 134.

³ When the auditor is aware that the half-year financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited half-year financial report is presented.

⁴ 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 review report was made.

⁵ Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors ~~[those charged with governance]~~ determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the half-year financial report the directors are responsible for the assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ~~We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order ASRE 2410 requires us to state conclude whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the [company's/registered scheme's/disclosing entity's] Company's financial position as at 31 December 20XX and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.~~

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

~~In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of [name of entity], would be in the same terms if given to the directors as at the time of this auditor's report.⁶~~

Conclusion

We make enquiries about whether the Directors have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of the Directors as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the half-year financial report.

~~Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of [name of company/registered scheme/disclosing entity] is not in accordance with the Corporations Act 2001 including:~~

~~giving a true and fair view of the [company's/registered scheme's/disclosing entity's] financial position as at 31 December 20XX and of its performance for the half-year ended on that date; and~~

⁶ 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.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

~~complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.~~

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's name and signature]⁷

[Name of firm]²⁹

[Date of the auditor's review report]⁸

[Auditor's address]

⁷ ~~The auditor's review report~~ Consistent with ASA 700 Paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to ~~be signed~~ sign the auditors' review report in ~~one or more of~~ both their own name and the name of the ~~audit~~ their firm, [section 324AB(3)] or the name of the audit company ~~or the personal name of the auditor~~ [section 324AD(1)], as ~~appropriate~~ applicable.

⁸ The date of the auditor's report is the date the auditor signs the report.

Appendix 4

(Ref: Para. A41)

Illustrations of Auditors' Review Reports for financial reports not prepared under the Corporations Act 2001—Unmodified and Modified Conclusions

Example A - Unmodified Auditor's Review Report on a Financial Report
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

~~Example of an Unmodified Auditor's Review Report on a Financial Report
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

~~Example of **anB** - Auditor's Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

~~Example C - Auditor's Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

~~Example D - Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

~~Example E - Auditor's Review Report with a Qualified Conclusion (Except for) on the Basis that Comparatives have not been Reviewed or Audited
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

~~Example of **anF** - **Unmodified** Auditor's Review Report **with** a **Qualified Conclusion for a Limitation On Scope Not Imposed by Management**
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve ~~Fair Presentation~~ Compliance.~~

~~Example of An Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

~~Example of an Auditor's Review Report with a **Qualified Conclusion** (Except for) on the Basis that Comparatives have not been Reviewed or Audited
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation~~

**EXAMPLE OF ANA - UNMODIFIED AUDITOR'S REVIEW REPORT ON A
FINANCIAL REPORT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the ~~balance sheet~~ statement of financial position as at [date], ~~and the statement of comprehensive income statement,~~ statement of changes in equity and cash flow statement for the [period] year then ended on that date, and notes to the financial report, including a [statement or description of summary of significant accounting policies⁹], other selected explanatory notes, and [the declaration of ~~by~~ those charged with governance¹⁰].^{11, 12}

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. ~~A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.~~

[Independence

~~In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies¹³.~~

⁹ Insert relevant statement or description of accounting policies: as required by AASB 134

¹⁰ ~~Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.~~

¹¹ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

¹² The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

¹³ ~~Use when appropriate.~~

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Conclusion

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”¹⁴] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibilities of Management for the Financial Report*¹⁵

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not present fairly, in all material respects, [or “give a true and fair view of”] the financial position of the [entity] as at [date] and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management has changed their assessment of the Company’s ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

¹⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

¹⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]¹⁶

[Date of the auditor's review report]¹⁷

[Auditor's address]

¹⁶ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

¹⁷ The date of the auditor's report is the date the auditor signs the report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

EXAMPLE ~~OF ANB~~ - AUDITOR'S REVIEW REPORT WITH A QUALIFIED CONCLUSION (EXCEPT FOR) FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK

FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the ~~balance sheet~~statement of financial position as at [date], ~~and the statement of comprehensive income statement,~~ statement of changes in equity and cash flow statement for the ~~period~~year then ended on that date, a statement or description of, and notes to the financial report, including a summary of significant accounting policies,¹⁸ ~~other selected explanatory notes,~~ and [the declaration ~~of~~by those charged with governance¹⁹,²⁰,²¹

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

~~Our responsibility is to express a conclusion on the [period] financial report. Based on our review, we conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything, which is not an audit, except for the effects of the matter described in the Basis for Qualified Conclusion section, nothing has come to our attention that causes us to believe that the [period] financial report is of [name of entity] does not presented~~present fairly, in all material respects, in accordance with the [or "give a true and fair view of"²²] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework]. ~~As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.~~

~~A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.~~

¹⁸ Insert relevant statement or description of accounting policies.

¹⁹ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

²⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

²¹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

²² ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Basis for Qualified Conclusion

Based on information provided to us by management, [name of entity] has excluded from property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$_____, long-term debt by \$_____, and net income and earnings per share would be increased (decreased) by \$____ and \$_____ respectively for the [period] ended on that date.

Qualified Conclusion

~~Based on~~ We conducted our review, ~~which is not an audit, with in accordance with ASRE 2410 Review of Financial Report Performance by the exception Auditor of the matter Entity.~~ Our responsibilities are further described in the preceding paragraph, ~~nothing Auditor's Responsibilities for the Review of the Financial Report~~ section of our report. We are independent of the [entity] in accordance with the auditor independence 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 review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report²³

Management are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"²⁴] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

²³ Or other terms that are appropriate

²⁴ ASA 700 Forming an Opinion and Reporting on a Financial Report, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's signature]²⁵

[Date of the auditor's review report]²⁶

[Auditor's address]

²⁵ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

²⁶ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE OF ~~ANC~~ - AUDITOR'S REVIEW REPORT WITH A QUALIFIED
CONCLUSION FOR A LIMITATION ON SCOPE NOT IMPOSED BY
MANAGEMENT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the ~~balance sheet statement of financial position~~ as at [date], ~~and the statement of comprehensive income statement~~, statement of changes in equity and cash flow statement for the ~~[period] year then ended on that date, a statement or description of, and notes to the financial report, including a summary of significant~~ accounting policies²⁷, ~~other selected explanatory notes~~, and [the declaration ~~of~~ those charged with governance²⁸,²⁹,³⁰

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

~~Our responsibility is to express a conclusion on the [period] financial report. Based on our review, We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, anything, which is not an audit, except for the possible effects of the matter described in the Basis for Qualified Conclusion section, nothing has come to our attention that causes us to believe that the [period] financial report is of [name of entity] does not presented present fairly, in all material respects, in accordance with the [or "give a true and fair view of"³¹] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.~~

~~A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.~~

²⁷ Insert relevant statement or description of accounting policies: as required by AASB 134

²⁸ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

²⁹ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

³⁰ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

³¹ ASA 700 Forming an Opinion and Reporting on a Financial Report, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

~~*Independence*~~

~~In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies²².~~

~~*Basis for Qualified Conclusion*~~

~~As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$ _____ included in the [period] financial report. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. **We consider the possible effects incapable of reliable measurement at this time.** Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial report.~~

~~**We conducted our review in accordance with ASRE 2410 Review of Financial Report Performance by the Auditor of the Entity.** Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.~~

~~*Responsibility of Management for the Financial Report*³³~~

~~Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.~~

~~In preparing the financial report, management are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.~~

~~*Auditor's Responsibility for the Review of the Financial Report*~~

~~Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything~~Qualified Conclusion~~~~

~~Except for the adjustments to the [period] financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"³⁴] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].~~

~~³⁵**Report on Other Legal and Regulatory Requirements**~~

~~[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]~~

²² Use when appropriate.

³³ Or other terms that are appropriate

³⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

{Auditor's signature³⁶}

{Date of the auditor's review report}³⁷

{Auditor's address}

³⁶ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

³⁷ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE OF AN AUDITOR'S REVIEW REPORT WITH AN ADVERSE
CONCLUSION FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL
REPORTING FRAMEWORK**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies²⁸]; other selected explanatory notes, and [the declaration of those charged with governance²⁹].⁴⁰⁻⁴¹

[Title of those charged with governance] Responsibility for the [period] Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies⁴².

²⁸ Insert relevant statement or description of accounting policies.

²⁹ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁴⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁴¹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁴² Use when appropriate.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Basis for Adverse Conclusion

Commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial reports of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the financial report would have been materially different.

Adverse Conclusion

Our review indicates, because the [entity's] investment in subsidiary companies is not accounted for on a consolidation basis, as described in the previous paragraph, this [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁴³] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁴⁴]

[Date of the auditor's review report]⁴⁵

[Auditor's address]

⁴³ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁴⁴ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁴⁵ The date of the auditor's report is the date the auditor signs the report.

~~EXAMPLE OF AN AUDITOR'S REVIEW REPORT WITH A QUALIFIED
CONCLUSION (EXCEPT FOR) ON THE BASIS THAT COMPARATIVES HAVE
NOT BEEN REVIEWED OR AUDITED~~

**EXAMPLE D AUDITOR'S REVIEW REPORT WITH AN ADVERSE
CONCLUSION FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL
REPORTING FRAMEWORK**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Adverse Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the ~~balance sheet statement of financial position~~ as at [date], ~~and the statement of comprehensive income statement~~, statement of changes in equity and ~~cash flow statement for the [period] ended on that date~~, a ~~statement or description of cash flows for the [period] ended on that date~~, notes comprising a summary of accounting policies⁴⁶, ~~other selected explanatory notes, and [and the director's declaration of those charged with governance⁴⁷].^{48, 49}~~

[Title of those charged with governance] Responsibility for the [period] Financial Report

~~The~~Based on our review, which is not an audit, because of the significance of the matter described in the *Basis for Adverse Conclusion* section of our report, this [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁵⁰] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Adverse Conclusion

As explained in Note X, commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial reports of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the financial report would have been materially different. The effects on the financial report of the failure to consolidate have not been determined.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant

⁴⁶ Insert relevant statement or description of accounting policies.

⁴⁷ Amend these terms to reflect the appropriate assertion ~~statement~~ and title for those charged with governance.

⁴⁸ When the auditor is aware that the ~~interim~~ financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed ~~interim~~ financial report is presented.

⁴⁹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁵⁰ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] management determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, [those charged with governance] are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state ASRE 2410 requires us to conclude whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the [period] financial report is of [name of entity] does not present present fairly, in all material respects, [or "give a true and fair view of"⁵¹] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with the [applicable financial reporting framework]. As the auditor of [name of entity], ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁵²]

[Date of the auditor's review report]⁵³

⁵¹ ASA 700 Forming an Opinion and Reporting on a Financial Report, contains information on the wording of reports that may be helpful.

⁵² The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁵³ The date of the auditor's report is the date the auditor signs the report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

[Auditor's address]

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

EXAMPLE E - AUDITOR'S REVIEW REPORT WITH A QUALIFIED CONCLUSION (EXCEPT FOR) ON THE BASIS THAT COMPARATIVES HAVE NOT BEEN REVIEWED OR AUDITED

Commented [YJ1]: Refer BMSP para 32
Not in accordance with ASA 510 para 21

FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

~~A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.~~

Independence

~~In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies⁵⁴.~~

~~We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and cash flow statement for the [period] ended on that date, and notes to the financial report, including a summary of significant accounting policies⁵⁵, and [the declaration of those charged with governance⁵⁶,⁵⁷ ⁵⁸~~

~~Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Conclusion section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of⁵⁹"] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].~~

Basis for Qualified Conclusion

As this is the first year that [name of entity] is required to prepare a [period] financial report and have it reviewed, the balance sheet, income statement, statement of changes in equity, cash flow statement, [statement or description of accounting policies⁶⁰] and other selected explanatory notes for the preceding corresponding [period] have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the [period] ended [date of preceding corresponding period]. We have, however, audited the financial report for the preceding financial year ended [date of preceding financial year] and therefore our review

⁵⁴ Use when appropriate.

⁵⁵ Insert relevant statement or description of accounting policies.

⁵⁶ Amend these terms to reflect the appropriate assertion and title for those charged with governance.

⁵⁷ When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

⁵⁸ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁵⁹ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁶⁰ Insert relevant statement or description of accounting policies.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

statement is not qualified in respect of the comparative information for the year ended [date of preceding financial year] included in the balance sheet.

Qualified Conclusion

~~Except~~We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the effect, if any, on the comparative Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for the preceding corresponding [period]* that may result *Professional Accountants (the Code)* that are relevant to our audit of the annual 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 [name of entity], would be in the same terms if given to the directors as at the time of this auditor's review report.⁶¹

Responsibility of Management for the Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from the qualification in the preceding paragraph, material misstatement, whether due to fraud or error.

In preparing the financial report, [those charged with governance] are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review, ~~which is not an audit, nothing~~. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁶²] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the

⁶¹ 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 review report was made.

⁶² ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial Report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁶³]

[Date of the auditor's review report]⁶⁴

[Auditor's address]

⁶³ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁶⁴ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE F - UNMODIFIED AUDITOR'S REVIEW REPORT ON A
FINANCIAL REPORT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE COMPLIANCE**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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, and [the declaration by those charged with governance⁶⁵].^{66, 67}

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] has not been prepared, in all material respects, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibility of Management for the Financial Report*⁶⁸

Management of the [type of entity] are responsible for the preparation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the financial report has not been prepared, in all material respects in accordance with [applicable financial reporting framework].

⁶⁵ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁶⁶ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁶⁷ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁶⁸ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Commented [WA2]: Same as the auditor's report. Independence

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management has changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]⁶⁹

[Date of the auditor's review report]⁷⁰

[Auditor's address]

⁶⁹ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁷⁰ The date of the auditor's report is the date the auditor signs the report.



Australian Government
Auditing and Assurance Standards Board

EXPOSURE DRAFT

ED 05/19
(April 2019)

Proposed Auditing Standard on Review Engagements ASRE 2410

Review of a Financial Report Performed by the Auditor of the Entity

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



Australian Government
Auditing and Assurance Standards Board

Postal Address: PO Box 204, Collins Street West, VIC 8007

AASB: Phone: + 61 3 9617 7600 Email: standard@asb.gov.au Web: www.aasb.gov.au ABN 92 702 019 575
AUASB: Phone: + 61 3 8080 7400 Email: enquiries@auasb.gov.au Web: www.auasb.gov.au ABN 80 959 780 601

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 30 July 2019. Comments should be addressed to:

The Chair
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

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2019 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this Exposure Draft are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the AUASB.

Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Exposure Draft may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

This Exposure Draft reproduces substantial parts of the corresponding International Standard on Review Engagements issued by the International Auditing and Assurance Standards Board (IAASB) and published by the International Federation of Accountants (IFAC), in the manner described in the statement on Conformity with International Standards on Review Engagements. The AUASB acknowledges that IFAC is the owner of copyright in the International Standard on Review Engagements incorporated in this Exposure Draft throughout the world.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only.

Further information and requests for authorisation to reproduce this Exposure Draft for commercial purposes outside Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Any decision to approve a request may also require the agreement of IFAC.

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON REVIEW ENGAGEMENTS

	<i>Paragraphs</i>
Application	1
Operative Date	2
Introduction	
Scope of this Auditing Standard on Review Engagements.....	3
Objective	4
Definitions	5
.	
Requirements	
Performing a Review.....	6-7
General Principles of a Review of a Financial Report.....	8-10
Agreeing the Terms of the Engagement.....	11-12
Procedures for a Review of a Financial Report.....	13-14
Materiality.....	15
Enquiries, Analytical and Other Review Procedures.....	16-20
Comparatives – First Financial Report.....	21
Evaluation of Misstatements.....	22
Written Representations.....	23-24
Auditor’s Responsibility for Accompanying Other Information.....	25-26
Communication.....	27-31
Reporting the Nature, Extent and Results of the Review of a Financial Report.....	32-38
Modified Conclusion.....	39-40
Departure from the Applicable Financial Reporting Framework.....	41-42
Limitation on Scope.....	43
Limitation on Scope Imposed by Management.....	44-48
Other Limitations on Scope Not Imposed by Management.....	49
Going Concern and Significant a Material Uncertainty Existsies.....	50-51
Emphasis of Matter and Other Matter Paragraphs.....	52-1
Documentation.....	55
Application and Other Explanatory Material	
Objective.....	A1-A3
Performing a Review.....	A4

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

General Principles of a Review of a Financial Report..... A5-A7
Agreeing the Terms of the Engagement..... A8
Procedures for a Review of a Financial Report..... A9-A13
Materiality A14-A18
Enquiries, Analytical and Other Review Procedures A19-A27
Comparatives – First Financial Report A28-A31
Evaluation of Misstatements A32-A34
Written Representations A35
Auditor’s Responsibility for Accompanying Other Information..... A36-A37
Communication A38-A40
Reporting the Nature, Extent and Results of the Review of a Financial Report A41
Departure from the Applicable Financial Reporting Framework A42-A43
Limitation on Scope..... A44
Limitation on Scope Imposed by Management A45-A47
Other Limitations on Scope Not Imposed by Management A48-A49
Going Concern and Significant a Material Uncertainty Exists Uncertainties A1-A1
Other Considerations A53-A57
Documentation A58

PREFACE

Reasons for Issuing ED 05/19

The AUASB issues exposure draft ED 05/19 of proposed Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non corporate Commonwealth entity 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 *Legislation 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 on Review Engagements represents the Australian equivalent of ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* and will replace the current ASRE 2410 issued by the AUASB in July 2013. The *Explanatory Memorandum: Exposure draft 05/19: Proposed Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity* provides an overview of the proposed amendments.

Proposed Operative Date

It is intended that this proposed Auditing Standard on Review Engagements will be operative for financial reporting periods commencing on or after 1 January 2020 with early adoption permitted.

Main changes from existing ASRE 2410 *Auditing Standard on Review Engagements ASRE 2410 (July 2013)*

The main differences between this proposed Auditing Standard on Review Engagements and the Auditing Standard on Review Engagements that it supersedes, ASRE 2410 *Auditing Standard on Review Engagements ASRE 2410 (July 2013)*, are included in the *Explanatory Memorandum: Exposure draft 05/19: Proposed Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity*. This ED is also available in a track changes version to assist stakeholders ([LINK](#)).

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* by no later than 30 July 2019. The AUASB is seeking comments from respondents on the following questions:

- 1 Do you agree with the proposals to incorporate the reporting requirements made to the annual auditor's report consistently into the interim review report?
- 2 Do you agree with the scoping of these proposals that they do not require the communication of key review matters, or an update on the status of key audit matters from the previous audit report, for review reports before this is considered by the IAASB?

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- 3 Do you agree with the scoping of these proposals that they do not require the inclusion of an Other Information section in the interim review report before this is considered by the IAASB?
- 4 Do agree with requiring the auditor's responsibilities section to be included in the review report, and not provide an option to include parts of this on the AUASB website?
- 5 Do you agree with the proposed amendments to incorporate conforming amendments as a result of NOCLAR?
- 6 Do you agree with including reviews of financial reports prepared in accordance with a compliance framework in ED 05/19?
- 7 Do you consider that there are any further amendments required to be made to ASRE 2410?
- 8 Do you agree with the proposed effective date? If not, please explain why not.
- 9 Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?
- 10 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?
- 11 Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
- 12 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 significant costs are expected, the AUASB would like to understand:
 - a. Where these costs are likely to occur;
 - b. The estimated extent of costs, in percentage terms (relative to audit fees); and
 - c. Whether expected costs outweigh the benefits to the users of audit services?
- 13 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 on Review 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 Auditing Standard on Review Engagements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard on Review Engagements 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.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Conformity with International Standards on Review Engagements

This Auditing Standard on Review Engagements conforms with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Compliance with this Auditing Standard on Review Engagements enables compliance with ISRE 2410.

AUDITING STANDARD ON REVIEW ENGAGEMENTS ASRE 2410

Review of a Financial Report Performed by the Auditor of the Entity

Application

1. This Auditing Standard on Review Engagements applies to:
 - (a) a review by the independent auditor of the entity, of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose.

Operative Date

2. This Auditing Standard on Review Engagements is operative for financial reporting periods commencing on or after 1 January 2020 with early adoption permitted.

Introduction

Scope of this Auditing Standard on Review Engagements

3. This Auditing Standard on Review Engagements (Auditing Standard) deals with the auditor's responsibilities when an auditor undertakes an engagement to review a financial report of an audit client, and on the form and content of the auditor's review report. The term "auditor" is used throughout this Auditing Standard, not because the auditor is performing an audit function but because the scope of this Auditing Standard is limited to a review of a financial report performed by the independent auditor of the financial report of the entity.

Objective

4. The objective of the auditor is to plan and perform the review to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial report, or complete set of financial statements, is (are) not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A1-A3)

Definitions

5. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
 - (a) An interim financial report means a financial report that is prepared in accordance with an applicable financial reporting framework¹ for a period that is shorter than the entity's financial year.
 - (b) A financial report means a complete set of financial statements including the related notes and an assertion statement by those responsible for the financial report. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial report. For example, a

¹ See, for example, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

financial report, as defined under section 303 of the *Corporations Act 2001* consists of financial statements for the half-year, notes to the financial statements and the directors' declaration about the statements and notes.

- (c) An applicable financial reporting framework means a financial reporting framework adopted by management, and where appropriate, those charged with governance, in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation. The financial reporting framework may be a fair presentation framework or a compliance framework.

The term "fair presentation framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and;

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of a financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

The term "compliance framework" is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.

Requirements

Performing a Review

6. The auditor who is engaged to perform a review of a financial report shall perform the review in accordance with this Auditing Standard. (Ref: Para. A4)
7. Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement in this Auditing Standard, the auditor shall:
- (a) if possible, perform appropriate alternative procedures; and
- (b) document in the working papers:
- (i) the circumstances surrounding the inability to comply;
- (ii) the reasons for the inability to comply; and
- (iii) justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report.

General Principles of a Review of a Financial Report

8. The auditor shall comply with relevant ethical requirements relating to the audit of the annual financial report of the entity. (Ref: Para. A5)
9. The auditor shall implement quality control procedures that are applicable to the individual engagement. (Ref: Para. A6)

Commented [WA1]: As discussed with the AUASB at the March meeting, extant ASRE 2410 does not include compliance frameworks. Added as agreed.

Wording from ASA 200

Commented [WA2]: An existing difference to NZ SRE 2410 requires compliance with ISA (NZ) 220. ASRE 2410 A 6 says 220 may be helpful. Refer to BMSP for more detail

Commented [WA3R2]:

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

10. The auditor shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the financial report to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A7)

Agreeing the Terms of the Engagement (Ref: Para. A8, A55 and A57)

Preconditions for a Review

11. The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:
- (a) for the preparation and presentation of the financial report;
 - (b) for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
 - (c) to provide the auditor with:
 - (i) access to information relevant to the preparation of the financial report;
 - (ii) additional information that the auditor may request for the purposes of the review engagement; and
 - (iii) unrestricted access to persons from whom the auditor determines it necessary to obtain evidence.

Commented [YJ4]: To indicate compliance framework

Agreement on Review Engagement Terms

12. The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation.

Procedures for a Review of a Financial Report

Understanding the Entity and its Environment, Including its Internal Control

13. The auditor shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports, sufficient to plan and conduct the engagement so as to be able to:
- (a) identify the types of potential material misstatements and consider the likelihood of their occurrence; and
 - (b) select the enquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A9-A12)
14. In order to plan and conduct a review of a financial report, a recently appointed auditor, who has not yet performed an audit of the annual financial report in accordance with Australian Auditing Standards, shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports. (Ref: Para. A13)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Materiality (Ref: Para. A14-A18)

15. The auditor shall consider materiality, using professional judgement, when:

- (a) determining the nature, timing and extent of review procedures; and
- (b) evaluating the effect of misstatements.

Enquiries, Analytical and Other Review Procedures

16. The auditor shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A19-A23)

17. The auditor shall obtain evidence that the financial report agrees or reconciles with the underlying accounting records. (Ref: Para. A24)

18. The auditor shall enquire whether management has identified all events up to the date of the review report that may require adjustment to or disclosure in the financial report. (Ref: Para. A25)

19. The auditor shall enquire whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. When, as the result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:

- (a) enquire of those charged with governance as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
- (b) consider the adequacy of the disclosure about such matters in the financial report. (Ref: Para. A26)

20. When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the financial report to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall make additional enquiries or perform other procedures to enable the auditor to express a conclusion in the review report. (Ref: Para. A27)

Comparatives – First Financial Report (Ref: Para. A28-A31)

21. When comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report.

Evaluation of Misstatements (Ref: Para. A32-A34)

22. The auditor shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the financial report.

Written Representations

23. The auditor shall endeavour to obtain written representations from management and, where appropriate, those charged with governance, that:

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (a) They acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and error;
 - (b) The financial report is prepared and presented in accordance with the applicable financial reporting framework;
 - (c) They believe the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of such items is included in or attached to the written representations;
 - (d) They have disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to them that may have affected the entity;
 - (e) They have disclosed to the auditor the results of their assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (f) They have disclosed to the auditor all identified or suspected non-compliance with laws and regulations, the effects of which are to be considered when preparing the financial report; and
 - (g) They have disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to or disclosure in the financial report. (Ref: Para. A35)
24. If management and, where appropriate, those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation on the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate.

Commented [WA5]: wording changed for consistency with ASA 250 (17)

Auditor's Responsibility for Other Information

- 25. The auditor shall read the other information that accompanies the financial report to consider whether there is a material inconsistency with the financial report. (Ref: Para. A36)
- 26. If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor shall discuss the matter with the entity's management, and where appropriate, those charged with governance. (Ref: Para. A37)

Commented [WA6]: Refer BMSP. Have not included a requirement for an OI paragraph or for the auditor to "compare" selected amounts ie. ASA 720 14(a)

Commented [WA7]: consistent language with 720

Communication

- 27. When, as a result of performing a review of a financial report, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall communicate this matter as soon as practicable to the appropriate level of management.
- 28. When, in the auditor's judgement, management does not respond appropriately within a reasonable period of time, the auditor shall inform those charged with governance. (Ref: Para. A38)
- 29. When, in the auditor's judgement, those charged with governance do not respond appropriately within a reasonable period of time, the auditor shall consider:
 - (a) whether to modify the review report; or
 - (b) the possibility of withdrawing from the engagement; and

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (c) the possibility of resigning from the appointment to audit the annual financial report. (Ref: Para. Aus A36.1 and A58)
30. When, as a result of performing the review of a financial report, a matter comes to the auditor's attention that indicates the existence of fraud or non-compliance with laws and regulations or suspected fraud or non-compliance with laws and regulations, has occurred in the entity, the auditor shall:
- (a) communicate the matter unless prohibited by law or regulation, as soon as practicable to those charged with governance and shall consider the implications for the review. (Ref: Para. A39)
 - (b) request management's assessment of the effect (s) on the auditor's conclusion and the review report;
 - (c) consider the effect on the auditor's conclusion and the review report; and
 - (d) determine whether law, regulation or relevant ethical requirements:
 - (i) require the auditor to report to an appropriate authority outside the entity;
 - (ii) establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.
31. The auditor shall communicate relevant matters of governance interest arising from the review of the financial report to those charged with governance. (Ref: Para. A40 and A59)

Commented [WA8]: Aligns with NOCLAR consequential amendments to ASRE 2400.

Reporting the Nature, Extent and Results of the Review of a Financial Report

32. The auditor shall issue a written report that contains the following:
- (a) An appropriate title clearly identifying it as a review report of the independent auditor of the entity.
 - (b) An addressee, as required by the circumstances of the engagement.
33. The first section of the report shall include the auditor's conclusion, and shall have the heading "Conclusion". The Conclusion section of the report shall:
- (a) Identify the entity whose financial report has been reviewed;
 - (b) State that the financial report has been reviewed;
 - (c) Identify the title of each statement contained in the financial report and the date and period covered by the financial report;
 - (d) Refer to the notes, comprising significant accounting policies and other explanatory information.²; and
 - (e) Include a conclusion:
 - (i) When expressing an unmodified conclusion on a half-year financial report prepared in accordance with the *Corporations Act 2001*, the report shall include a conclusion as to whether the auditor become aware of any matter that makes the auditor believe that the financial report does not comply with the *Corporations Act 2001*, including giving a true and fair view of the

Commented [WA9]: added to ASRE 2410 as is in ASA 700.

Commented [YJ10]: Required wording for Corporations Act engagement .Not in extant 2410 as an explicit requirement, but is in appendix 3. Added here for clarity and as most engagements conducted under ASRE 2410 are for Corps Law.

² Refer AASB 134 *Interim Financial Reporting*. Relevant for a complete set of financial statements, if a condensed set use the term relevant.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

financial position and its performance, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*³.

- (ii) When expressing an unmodified conclusion on a financial report prepared using a fair presentation framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial report does not present fairly, in all material respects, or if applicable is not true and fair, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when Australia is not the origin of the financial reporting framework used).
 - (iii) When expressing an unmodified conclusion on a financial report prepared using a compliance framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial report has not been prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when Australia is not the origin of the financial reporting framework used). (Ref A41A and A41)
34. The report shall include a section directly following the Conclusion section, with the heading "Basis for Conclusion", that
- (a) States that the review of the financial report was conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity*;
 - (b) Refers to the section of the auditor's review report that describes the auditor's responsibilities; and
 - (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit of the annual financial report, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the relevant ethical requirements applicable within Australia.
35. The report shall include a section with a heading "Responsibilities of Management for the Financial Report". The report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to "management". In some jurisdictions, and the appropriate reference may be to those charged with governance. This section of the report shall describe the responsibilities of management for:
- (a) The preparation of the financial report in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and
 - (b) Assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern.
36. When the financial report is prepared in accordance with a fair presentation framework, the description of responsibilities of management for the financial report in the review

Commented [WA11]: wording in ASRE / ISRE and used for non-Corps law reviews.

Commented [WA12]: Compliance framework wording from ASA 700 para 26.

Commented [WA13]: From ASA 700.28.1

Commented [WA14]: From ASA 700

Commented [WA15]: moved to auditor's responsibilities section

Commented [WA16]: describe used in ASA 700. State used in 2410 extant

Commented [WA17]: Removed as no longer just a fair presentation framework, and added below.

Commented [WA18]: from ASA 700

Commented [WA19]: From ASA 700.36

³ Corporation Act 2001 section 309 (4)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

report shall refer to “the preparation and fair presentation of this financial report” or “the preparation of the financial report that gives a true and fair view”, as appropriate in the circumstances.

37. The report shall include a section with a heading “Auditor’s Responsibilities for the Review of the Financial Report”. This section of the report shall:
- (a) State that the auditor is responsible for expressing a conclusion on the financial report based on the review;
 - (b) State that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures;
 - (c) State that a review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit, and that accordingly no audit opinion is expressed; and
 - (d) State that the auditor makes enquiries about whether management have changed their assessment of the entity’s ability to continue as a going concern. When, as a result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, the auditor shall:
 - (i) enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
 - (ii) consider the adequacy of the disclosures about such matters in the financial report.
38. The report shall include:
- (a) The date the auditor signs the review report.
 - (b) The location in the country or jurisdiction where the auditor practices.
 - (c) The name of the engagement partner where required by law or regulation⁴.
 - (d) The auditor’s signature. (Ref: Para. A41)

Commented [WA20]: The term state or describe is used consistent with extant ASRE 2410 and ASA 700

Commented [WA21]: from ASA 700 46.1

Modified Conclusion

39. The auditor shall modify the conclusion in the review report when:
- (a) The auditor concludes, based on the procedures performed, that a matter has come to their attention that causes them to believe that the financial report as a whole is not free from material misstatement; or
 - (b) The auditor is unable to obtain sufficient appropriate evidence to conclude that the financial report as a whole is free from material misstatement.
 - (c) Refer to ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report* and ASRE 2400 *Review of a Financial Report Performed by an Assurance*

Commented [WA22]: From ASA 705. Added as provides an introduction.

⁴ Consistent with ASA 700 paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to sign the auditors’ review 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.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Practitioner Who is Not the Auditor of the Entity for wording to use when issuing a modified conclusion.

40. When the auditor modifies the conclusion, the auditor shall:
- (a) Use headings “Qualified Conclusion”, “Adverse Conclusion” or “Disclaimer of Conclusion”, as appropriate, for the Conclusion section required by paragraph 33 in the review report; and
 - (b) Amend the heading “Basis for Conclusion” required by paragraph 34 to “Basis for Qualified Conclusion”, “Basis for Adverse Conclusion” or “Basis for Disclaimer of Conclusion”, as appropriate. Within this section provide a description of the matter giving rise to the modification.

Departure from the Applicable Financial Reporting Framework

41. The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor’s attention that causes the auditor to believe that a material adjustment should be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall include in the Basis for Qualified Conclusion or Basis for Adverse Conclusion section of the report, a description of the nature of the departure and, if practicable, states the effects on the financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefore shall be included in the basis for modification paragraph. (Ref: Para. A42)
42. When the effect of the departure is so material and pervasive to the financial report that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial report, the auditor shall express an adverse conclusion. (Ref: Para. A43)

Limitation on Scope (Ref: Para. A44)

43. When the auditor is unable to complete the review, the auditor shall communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a review report.

Limitation on Scope Imposed by Management

44. Unless required by law or regulation, an auditor shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the auditor’s review. (Ref: Para. A45 and A58)
45. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor’s request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. (Ref: Para. A46)
46. If management and, where appropriate, those charged with governance, refuses the auditor’s request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report, as appropriate, containing the reason(s) why the review cannot be completed.
47. When the auditor disclaims a conclusion on the financial report, the auditor shall not include the elements required by paragraph 34 (b).

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

48. When the auditor disclaims a conclusion on the financial report, the auditor shall amend the descriptions of the auditor's responsibilities required by paragraph 37 to include only:
- (a) A statement that the auditor's responsibility is to conduct a review of the entity's financial report in accordance with this Auditing Standard; and
 - (b) A statement that because of the matter(s) described in the Basis for Disclaimer of Conclusion section, the auditor was not able to obtain sufficient evidence to provide a review conclusion on the financial report.
 - (c) The statement about auditor independence and other ethical responsibilities required by paragraph 34(c).

Commented [WA23]: Added to comply with ASA 705 para 28

Other Limitations on Scope Not Imposed by Management (Ref: Para. A48-A49)

49. The auditor shall express a qualified conclusion when, in rare circumstances, there is a limitation on the scope of the auditor's work that is confined to one or more specific matters, which while material, is not in the auditor's judgement pervasive to the financial report, and when the auditor concludes that an unqualified conclusion cannot be expressed. A qualified conclusion shall be expressed as being "except for" the effects of the matter to which the qualification relates.

Going Concern and a Material Uncertainty Exists (Ref: Para. A50-A54)

50. If adequate disclosure about the material uncertainty is made in the financial report, the auditor shall express an unmodified review conclusion and the review report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" to the review report to highlight a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern. This section shall:
- (a) Draw attention to the note in the financial report that discloses the matter;
 - (b) State that the events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's conclusion is not modified in respect of the matter.
51. If a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern is not adequately disclosed in the financial report, the auditor shall:
- (a) Express a qualified or adverse conclusion, as appropriate; and
 - (b) In the Basis for Qualified or Adverse Conclusion section of the review report, state that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the financial report does not adequately disclose this matter.

Commented [WA24]: Updated based on ASAj570

Emphasis of Matter and Other Matter Paragraphs

52. The auditor shall consider adding an Emphasis of Matter paragraph to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.
53. When the auditor includes an Emphasis of Matter paragraph in the review report the auditor shall:

Commented [WA25]: aligned to ASA 706

Commented [WA26]: From ASA 706 (9)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (a) Include the paragraph within a separate section of the review report with an appropriate heading that includes the term “Emphasis of Matter”.
 - (b) Include a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the financial report. The paragraph shall refer only to information presented or disclosed on the financial report; and
 - (c) Indicate that the auditor’s review conclusion is not modified in respect of the matter emphasised.
54. The auditor shall consider adding an Other Matter paragraph in the review report to communicate a matter other than those that are presented or disclosed in the financial report, that in the auditor’s judgement is relevant to users’ understanding of the review, the auditor’s responsibilities, or the review report, if not prohibited by law or regulation. When including an Other Matter paragraph in the review report, the auditor shall include a separate section with the heading “Other Matter”, or other appropriate heading.

Documentation (Ref: Para. A60)

55. The auditor shall prepare review documentation that is sufficient and appropriate to provide a basis for the auditor’s conclusion, and to provide evidence that the review was performed in accordance with this Auditing Standard and applicable legal and regulatory requirements.

* * *

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Application and Other Explanatory Material

Objective (Ref: Para. 4)

- A1. Under paragraph 13, the auditor needs to make enquiries, and perform analytical and other review procedures in order to reduce to a limited level the risk of expressing an inappropriate conclusion when the financial report is materially misstated.
- A2. The objective of a review of a financial report differs significantly from that of an audit conducted in accordance with Australian Auditing Standards. A review of a financial report does not provide a basis for expressing an opinion whether the financial report gives a true and fair view, or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework.
- A3. A review, in contrast to an audit, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review may bring significant matters affecting the financial report to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

Performing a Review (Ref: Para 6)

- A4. Through performing the audit of the annual financial report, the auditor obtains an understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the financial report, under paragraph 13, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of a financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410*, as the practitioner ordinarily does not have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity.

Although other Auditing Standards do not apply to review engagements, they include guidance which may be helpful to auditors performing reviews covered by this Auditing Standard.

General Principles of a Review of a Financial Report

- A5. Relevant ethical requirements⁵ govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, and technical standards. (Ref: Para. 8)
- A6. The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring. ASQC 1 and ASA 220⁶ include guidance that may be helpful. (Ref: Para. 9)
- A7. An attitude of professional scepticism denotes that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that

Commented [WA27]: not a principle of APES 110

* See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.

⁵ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

⁶ See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

contradicts or brings into question the reliability of documents or representations by management of the entity. ASA 200 includes guidance which may be helpful.* (Ref: Para. 10)

Agreeing the Terms of the Engagement

A8. Written agreement of the terms of the engagement helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of management and, where appropriate, those charged with governance, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:

- (a) the objective of a review of a financial report;
- (b) the scope of the review;
- (c) the responsibilities of management and, where appropriate, those charged with governance for:
 - (i) the preparation of the financial report in accordance with the applicable financial reporting framework including where relevant their fair presentation;
 - (ii) establishing and maintaining effective internal control relevant to the preparation of the financial report; and
 - (iii) making all financial records and related information available to the auditor;
- (d) agreement from management and, where appropriate, those charged with governance:
 - (i) to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records; and
 - (ii) that where any document containing the financial report indicates that the financial report has been reviewed by the entity's auditor, the review report also will be included in the document; and
- (e) the anticipated form and content of the report to be issued, including the identity of the addressee of the report.

An illustrative engagement letter is set out in Appendix 1. The terms of engagement to review a financial report can also be combined with the terms of engagement to audit the annual financial report. ASA 210 includes guidance which may be helpful.* (Ref: Para. 12)

Procedures for a Review of a Financial Report

Understanding the Entity and its Environment, Including its Internal Control

A9. Under ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, the auditor who has audited the entity's financial report for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the annual financial report, that was sufficient to conduct the audit. In planning a review of a financial report, the auditor needs to update this understanding. The auditor also needs to obtain a sufficient understanding of internal control as it relates to the preparation of the financial

* See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

* See ASA 210 *Agreeing the Terms of Audit Engagements*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

report subject to review, as it may differ from internal control as it relates to the preparation of the annual financial report. (Ref: Para. 13)

- A10. The auditor needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied. (Ref: Para. 13)
- A11. The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:
- (a) reading the documentation, to the extent necessary, of the preceding year's audit, reviews of prior period(s) of the current year, and corresponding period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period financial report;
 - (b) considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial report;
 - (c) reading the most recent annual and comparable prior period financial report;
 - (d) considering materiality with reference to the applicable financial reporting framework as it relates to the financial report, to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements;
 - (e) considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial report;
 - (f) considering significant financial accounting and reporting matters that may be of continuing significance, such as material weaknesses in internal control;
 - (g) considering the results of any audit procedures performed with respect to the current year's financial report;
 - (h) considering the results of any internal audit performed and the subsequent actions taken by management;
 - (i) enquiring of management about the results of management's assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (j) enquiring of management about the effect of changes in the entity's business activities;
 - (k) enquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of the financial report; and
 - (l) enquiring of management of the process by which the financial report has been prepared and the reliability of the underlying accounting records to which the financial report is agreed or reconciled. (Ref: Para. 13)
- A12. The auditor needs to determine the nature of the review procedures, if any, to be performed for components and, where applicable, communicate these matters to other auditors involved in the review. Factors considered ordinarily include the materiality of, and risk of misstatement in, the financial report components, and the auditor's understanding of the extent to which internal control over the preparation of such reports is centralised or decentralised. (Ref: Para. 13)
- A13. Obtaining an understanding of the entity and its environment enables the auditor to focus the enquiries made, and the analytical and other review procedures applied in performing a review

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

of the financial report in accordance with this Auditing Standard. As part of obtaining this understanding, ordinarily the auditor makes enquiries of the predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit and for any prior periods in the current year that have been reviewed by the predecessor auditor. In doing so, ordinarily the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the auditor, any significant risks, including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control. (Ref: Para. 14)

Materiality (Ref: Para. 15)

- A14. The auditor needs to use professional judgement and consider qualitative and quantitative factors in determining materiality.
- A15. Ordinarily, the auditor's consideration of materiality for a review of a financial report is based on the period financial data and accordingly, materiality based on interim period financial data may be less than materiality for annual financial data. If the entity's business is subject to cyclical variations or if the financial results for the current period show an exceptional decrease or increase compared to prior periods and expected results for the current year, the auditor may, for example, conclude that materiality is more appropriately determined using a normalised figure for the period.
- A16. The auditor's consideration of materiality, in evaluating the effects of misstatements, is a matter of professional judgement and is affected by the auditor's perception of the financial information needs of users of the financial report.
- A17. If the applicable financial reporting framework contains a definition of materiality, it will ordinarily provide a frame of reference to the auditor when determining materiality for planning and performing the review.
- A18. The auditor needs, when relevant, to consider materiality from the perspective of both the entity and the consolidated entity.

Enquiries, Analytical and Other Review Procedures

- A19. A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied. (Ref: Para. 16)
- A20. The auditor ordinarily performs the following procedures:
- (a) Reading the minutes of the meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial report, and enquiring about matters dealt with at meetings for which minutes are not available that may affect the financial report.
 - (b) Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
 - (c) Communicating, where appropriate, with other auditors who are performing a review of the financial report of the entity's significant components.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (d) Enquiring of members of management responsible for financial and accounting matters, and others as appropriate, about the following:
- (i) whether the financial report has been prepared and presented in accordance with the applicable financial reporting framework;
 - (ii) whether there have been any changes in accounting principles or in the methods of applying them;
 - (iii) whether any new transactions have necessitated the application of a new accounting principle;
 - (iv) whether the financial report contains any known uncorrected misstatements;
 - (v) unusual or complex situations that may have affected the financial report, such as a business combination or disposal of a segment of the business;
 - (vi) significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity;
 - (vii) whether related party transactions have been appropriately accounted for and disclosed in the financial report;
 - (viii) significant changes in commitments and contractual obligations;
 - (ix) significant changes in contingent assets and contingent liabilities including litigation or claims;
 - (x) compliance with debt covenants;
 - (xi) matters about which questions have arisen in the course of applying the review procedures;
 - (xii) significant transactions occurring in the last several days of the period or the first several days of the next period;
 - (xiii) knowledge of any fraud or suspected fraud affecting the entity involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report; and
 - (xiv) knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial information communicated by employees, former employees, analysts, regulators or others; and
 - (xv) knowledge of any actual or suspected non-compliance with laws and regulations that could have a material effect on the financial report. If the auditor becomes aware of any actual or suspected non-compliance with laws and regulations ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* provides guidance.
- (e) Applying analytical procedures to the financial report designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the financial report. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and

Commented [WA28]: Updated for consistency of language. Also referring to ASA 250 instead of putting more detailed application material in.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

may be performed manually or with the use of computer-assisted auditing techniques. Appendix 2 to this Auditing Standard contains examples of analytical procedures the auditor may consider when performing a review of a financial report.

- (f) Reading the financial report and considering whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not in accordance with the applicable financial reporting framework. (Ref: Para. 16)
- A21. The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the financial report. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the period. Performing some of the review procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial report. (Ref: Para. 16)
- A22. The auditor performing a review of the financial report is also the auditor of the annual financial report of the entity. For convenience and efficiency, the auditor may decide to perform certain audit procedures concurrently with the review of the financial report. For example, information gained from reading the minutes of meetings of the board of directors in connection with the review of the financial report may also be used for the annual audit. The auditor may decide also to perform, at the time of the review, auditing procedures that would need to be performed for the purpose of the audit of the annual financial report, for example, performing auditing procedures on:
- (a) significant or unusual transactions that occurred during the period, such as business combinations, restructurings, or significant revenue transactions, or
 - (b) opening balances (when applicable). (Ref: Para. 16)
- A23. A review of a financial report ordinarily does not require corroborating the enquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an enquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims, or alternative procedures, may, however, be appropriate if a matter comes to the auditor's attention that causes the auditor to question whether the financial report is in accordance with the applicable financial reporting framework. (Ref: Para. 16)
- A24. The auditor may obtain evidence that the financial report agrees or reconciles with the underlying accounting records by tracing the financial report to:
- (a) the accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
 - (b) other supporting data in the entity's records as necessary. (Ref: Para. 17)
- A25. The auditor need not perform procedures to identify events occurring after the date of the review report. (Ref: Para. 18)
- A26. Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial report, or may be identified as a result of enquiries of management or in the course of performing other review procedures. When such events or conditions come to the auditor's attention, the auditor needs to enquire of those charged with governance as to their plans for future action, such as their plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. The auditor needs to enquire also as to the feasibility of the plans of those charged with governance and whether they believe that the outcome of these plans will improve the situation. Ordinarily, the auditor considers, based on procedures performed, whether it is necessary to corroborate the feasibility of the plans of those charged with governance and whether the outcome of these plans will improve the situation. (Ref: Para. 19)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- A27. For example, if the auditor's review procedures lead the auditor to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the auditor performs additional procedures sufficient to resolve the auditor's questions, such as discussing the terms of the transaction with senior marketing and accounting personnel or reading the sales contract. (Ref: Para. 20)

Comparatives – First Financial Report (Ref: Para. 21)

- A28. When comparative information is included in the first financial report and the auditor is unable to obtain sufficient appropriate review evidence to achieve the review objective, a limitation on the scope of the review exists and the auditor needs to modify the review report. Ordinarily, a restriction on the scope of the auditor's work will result in a qualified ("except for") conclusion. In such cases, ordinarily an auditor encourages clear disclosure in the financial report, that the auditor has been unable to review the comparatives.
- A29. When comparative information is included in the first financial report and the auditor believes a material adjustment should be made to the financial report, under paragraph 39, the auditor needs to modify the review report.
- A30. When an entity has come into existence only within the first financial reporting period, comparative information will not be provided in the first financial report and no modified review report is required.
- A31. Accounting Standard AASB 101 *Presentation of Financial Statements* provides requirements and explanatory guidance relating to comparative information included in a financial report prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards* provides requirements and guidance relating to comparative information when an entity adopts Australian Accounting Standards for the first time.

Evaluation of Misstatements (Ref: Para. 22)

- A32. A review of a financial report, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. However, misstatements which come to the auditor's attention, including inadequate disclosures, need to be evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.
- A33. The auditor needs to exercise professional judgement in evaluating the materiality of any misstatements that the entity has not corrected. Ordinarily, the auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or current year, and the potential effect of the misstatements on future interim or annual periods.
- A34. The auditor may designate an amount below which misstatements need not be aggregated, because the auditor expects that the aggregation of such amounts clearly would not have a material effect on the financial report. In so doing, under paragraph 15, the auditor needs to consider the fact that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the financial report.

Written Representations

- A35. The auditor needs to endeavour to obtain additional representations as are appropriate to matters specific to the entity's business or industry. An illustrative representation letter is set out in Appendix 1. (Ref: Para. 23)

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Auditor's Responsibility for Other Information

- A36. Auditors conducting review engagement under this auditing standard are not required to comply with ASA 720*, however ASA 720 includes guidance which may be useful. ASA720 requires auditors to read the other information that accompanies the financial report to consider whether there is a material inconsistency with the financial report. If the auditor identifies a material inconsistency, the auditor needs to consider whether the financial report or the other information needs to be amended. If an amendment is necessary in the financial report and those charged with governance refuse to make the amendment, the auditor needs to consider the implications for the review report. If an amendment is necessary in the other information and those charged with governance refuse to make the amendment, the auditor may consider including an Other Information paragraph in the review report and describes the material misstatement. (For example, those charged with governance may present alternative measures of earnings that more positively portray financial performance than the financial report, and such alternative measures are given excessive prominence, or are not clearly defined, or not clearly reconciled to the financial report such that they are confusing and potentially misleading. (Ref: Para. 25)
- A37. While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the auditor's attention (that is, information, not related to matters appearing in the financial report, that is incorrectly stated or presented). When discussing the matter with the entity's management, ordinarily the auditor considers the validity of the other information and management's responses to the auditor's enquiries, whether valid differences of judgement or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, ordinarily the auditor considers taking further action as appropriate, such as notifying those charged with governance and, if necessary, obtaining legal advice. ASA 720* includes guidance which may be beneficial. (Ref: Para. 26)

Commented [WA29]: Refer to BMSP for detail.
Reference to 720 removed as this requires an OI paragraph.

Communication

- A38. Communications with management and/or those charged with governance are made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, under paragraph 44, the auditor needs to document the communication. (Ref: Para. 28)
- A39. The determination of which level of management may also be informed is affected by the likelihood of collusion or the involvement of a member of management. (Ref: Para. 30)
- A40. As a result of performing a review of a financial report, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. (Ref: Para. 31)

Reporting the Nature, Extent and Results of the Review of a Financial Report (Ref: Para. 32)

- A41A. Appendix 4 contains illustrations of the review reports incorporating the elements in paragraphs 32 to 49. With the exception of the Conclusion and Basis for Conclusion sections, this Auditing Standard does not establish requirements for ordering the elements of the review report. However this Auditing Standard requires the use of specific headings, which are intended to assist in making reports more consistent and recognisable.

Commented [WA30]: Based on ASA 700 A19

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

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

A41. Paragraph 33 (e) includes the conclusion required for reviews of financial reports conducted in accordance with the *Corporations Act 2001*, other financial reports prepared under a fair presentation framework and a compliance framework. In some cases, law or regulation governing the review of a financial report may prescribe wording for the auditor's conclusion that is different from the wording described in paragraph 33(e). Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this Auditing Standard for coming to the conclusion remain the same. ASA 700 includes guidance which may be helpful.⁷ Illustrative review reports are set out in Appendices 3 and 4.

Departure from the Applicable Financial Reporting Framework (Ref: Para. 33–34)

A42. If matters have come to the auditor's attention that cause the auditor to believe that the financial report is or may be materially affected by a departure from the applicable financial reporting framework, and those charged with governance do not correct the financial report, the auditor needs to modify the review report. If the information that the auditor believes is necessary for adequate disclosure is not included in the financial report, the auditor needs to modify the review report and, if practicable, include the necessary information in the review report. Illustrative review reports with a qualified conclusion are set out in Appendix 4.

A43. Departures from the applicable financial reporting framework, may result in an adverse conclusion. An illustrative review report with an adverse conclusion is set out in Appendix 4.

Limitation on Scope (Ref: Para. 43)

A44. Ordinarily, a limitation on scope prevents the auditor from completing the review.

Limitation on Scope Imposed by Management

A45. The auditor needs to refuse to accept an engagement to review a financial report if the auditor's preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review because there will be a limitation on the scope of the auditor's review imposed by management of the entity. (Ref: Para. 44)

A46. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor needs to request the removal of that limitation. If management refuses to do so, the auditor is unable to complete the review and express a conclusion. In such cases, the auditor needs to communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. Nevertheless, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraphs 27, 28 and 30, the auditor needs to communicate such matters to the appropriate level of management and, where appropriate, those charged with governance. (Ref: Para. 45)

A47. The auditor needs to consider the legal and regulatory requirements, including whether there is a legal requirement for the auditor to issue a report. If there is such a requirement, the auditor needs to disclaim a conclusion and provide in the review report the reason why the review cannot be completed. However, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework the auditor needs to communicate such a matter in the report. (Ref: Para. 46)

Other Limitations on Scope Not Imposed by Management (Ref: Para. 39)

A48. A limitation on scope may occur due to circumstances other than a limitation on scope imposed by management or those charged with governance. In such circumstances, the auditor

⁷ See ASA 700 Forming an Opinion and Reporting on a Financial Report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

is ordinarily unable to complete the review and express a conclusion, and is guided by paragraphs 39 and 49. There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the financial report. In such circumstances, the auditor needs to modify the review report by indicating that, except for the matter which is described in an explanatory paragraph to the review report, the review was conducted in accordance with this Auditing Standard, and by qualifying the conclusion. Illustrative review reports with a qualified conclusion are set out in Appendix 4.

- A49. The auditor may have expressed a qualified opinion on the audit of the latest annual financial report because of a limitation on the scope of that audit. The auditor needs to consider whether that limitation on scope still exists and, if so, the implications for the review report.

Going Concern and a Material Uncertainty Exists (Ref: Para. 50 and 51)

- A50. The auditor may have alerted users to the existence of a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern by adding an emphasis of matter paragraph to a prior audit or review report. If the material uncertainty still exists and adequate disclosure is made in the financial report, the auditor needs to continue to alert users by adding a "Material Uncertainty Related to Going Concern" section to the review report to highlight the continued material uncertainty.

- A51. If, as a result of enquiries or other review procedures, a material uncertainty relating to an event or condition comes to the auditor's attention that casts significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the financial report, the auditor needs to alert users by adding a "Material Uncertainty Related to Going Concern" section to the review report.

- A52. ASA 570 *Going Concern* provides information that the auditor may find helpful in considering going concern in the context of the review engagement.

Other Considerations

- A53. The terms of the engagement include agreement by those charged with governance that, where any document containing a financial report indicates that the report has been reviewed by the entity's auditor, the review report will be also included in the document. If those charged with governance have not included the review report in the document, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances. (Ref: Para. 12)

- A54. If the auditor has issued a modified review report and those charged with governance issue the financial report without including the modified review report in the document containing the financial report, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual financial report.

Considerations Specific to Public Sector Entities

- A55. The auditor needs to agree with the client the terms of engagement. When agreeing the terms of engagement, an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management's responsibilities, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the auditor. Nevertheless, an engagement letter setting out the matters referred to in paragraph A8 may be useful to both the public sector auditor and the client. Public sector auditors, therefore, consider agreeing with the client the terms of a review engagement by way of an engagement letter. (Ref: Para. 12)

Commented [WA31]: update. not a modification and remove EOM

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- A56. In the public sector, the auditor's statutory audit obligation may extend to other work, such as a review of interim financial information.
- A57. Where this is the case, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position not to accept, or to withdraw from a review engagement. The public sector auditor also may not be in the position to resign from the appointment to audit the annual financial report. (Ref: Para. 29(b)-29(c) and 36)
- A58. The auditor needs to communicate to those charged with governance and consider the implications for the review when a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or non-compliance by the entity with laws and regulations. In the public sector, the auditor may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities. (Ref: Para. 31)

Documentation (Ref: Para. 44)

- A59. The auditor needs to prepare documentation that enables an experienced auditor having no previous connection with the engagement to understand the nature, timing and extent of the enquiries made and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Conformity with International Standards on Review Engagements

Commented [WA32]: To be updated when standard is finalised.

This Auditing Standard on Review Engagements conforms with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

The underlying standard is extant ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*. The underlying standard to extant ASRE 2410 is ISRE 2410 which has not been drafted in “clarity” format by the IAASB.

In 2009, following consultation with constituents in Australia in accordance with normal exposure draft processes, the AUASB decided that:

- due to the nature of reviews of other historical financial information, a separate Standard is more appropriate than ASRE 2410 being adapted by the auditor for this purpose; and
- ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, developed by the AUASB, deals with reviews of other historical financial information.

Accordingly, ASRE 2410 is intended to conform, with the exceptions listed below, to ISRE 2410 to the extent that ISRE 2410 deals with the review of financial statements by the auditor of the entity.

In 2019, following consultation with constituents in Australia further amendments to ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* have been made to this standard to align the reporting requirements with the revised auditor reporting requirements implemented in ASA 700 *Forming an Opinion and Reporting on a Financial Report* (operative for financial reporting periods ending on or after 15 December 2016). These amendments are not contained in ISRE 2410.

Except as noted below, this Auditing Standard conforms, to the extent described above, with International Standard ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. The main differences between this Auditing Standard and ISRE 2410 are:

1. This Auditing Standard contains the following requirements that are not contained in ISRE 2410:
 - This Auditing Standard applies to:
 - (a) a review, by the independent auditor of the entity, of a financial report for a half-year in accordance with the *Corporations Act 2001*; and
 - (b) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose (Ref: Para. 1(a) and (b)).
 - Where in rare and exceptional circumstances, factors outside the auditor’s control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor shall:
 - ◆ if possible, perform appropriate alternative procedures; and
 - ◆ document in the working papers:
 - the circumstances surrounding the inability to comply;
 - the reasons for the inability to comply; and

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report (Ref: Para. 7).

- The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:
 - ◆ for the preparation and fair presentation of the financial report;
 - ◆ for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
 - ◆ to provide the auditor with:
 - access to information relevant to the preparation of the financial report;
 - additional information that the auditor may request for the purposes of the review engagement; and
 - unrestricted access to persons from whom the auditor determines it necessary to obtain evidence (Ref: Para. 11).
- The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation (Ref: Para. 12).
- The auditor shall consider materiality, using professional judgement, when:
 - ◆ determining the nature, timing and extent of review procedures; and
 - ◆ evaluating the effect of misstatements (Ref: Para. 15).
- When comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report (Ref: Para. 21).
- If management and, where appropriate, those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation of the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate (Ref: Para. 24).
- When, as a result of performing the review of a financial report, a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or non-compliance by the entity with laws and regulations, the auditor shall communicate the matter as soon as practicable to those charged with governance and shall consider the implications for the review (Ref: Para. 30).
- The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe a material adjustment should be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall include a basis for modification paragraph in the report, that describes the nature of

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

the departure and, if practicable, states the effects on the financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefor shall be included in the basis for modification paragraph. The conclusion paragraph shall be headed “Qualified Conclusion” or “Adverse Conclusion”, whichever is relevant (Ref: Para. 33).

- When the effect of the departure is so material and pervasive to the financial report that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial report, the auditor shall express an adverse conclusion (Ref: Para. 34).
- Unless required by law or regulation, an auditor shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the auditor’s review (Ref: Para. 36).
- If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor’s request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reasons why the review cannot be completed (Ref: Para. 37).
- If management and, where appropriate, those charged with governance, refuses the auditor’s request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report, as appropriate, containing the reason(s) why the review cannot be completed (Ref: Para. 38).
- The auditor shall express a qualified conclusion when, in rare circumstances, there is a limitation on the scope of the auditor’s work that is confined to one or more specific matters, which while material, is not in the auditor’s judgement pervasive to the financial report, and when the auditor concludes that an unqualified opinion cannot be expressed. A qualified conclusion shall be expressed as being “except for” the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed “Qualified Conclusion” (Ref: Para. 39).

2. The following requirements in ISRE 2410, paragraph 43(e) and paragraph 43(j), are not contained in this Auditing Standard:

Paragraph 43(e)

“In other circumstances, a statement that management is responsible for the preparation and presentation of the interim financial information in accordance with the applicable financial reporting framework”.

Paragraph 43(j)

“In other circumstances, a conclusion as to whether anything has come to the auditor’s attention that causes the auditor to believe that the interim financial information is not prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when the financial reporting framework used is not International Financial Reporting Standards).”

Requirements and guidance on the review of financial statements that are prepared in accordance with a financial reporting framework that is not designed to achieve fair presentation are included in ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

Commented [YJ33]: These paragraphs in the statement of conformity will be updated once the final wording of ED 05/19 is agreed by the AUASB.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

3. This Auditing Standard includes explanatory guidance not contained within ISRE 2410 on:
 - Materiality (Ref: Para. A14 to A18); and
 - Comparatives (Ref: Para. A28 to A31).
4. This Auditing Standard provides illustrative examples that differ in form and content from those contained in ISRE 2410, namely:
 - An engagement letter (Appendix 1).
 - A written representation letter (Appendix 1).
 - The auditor's unmodified review reports (Appendices 3 and 4).
 - The auditor's modified review reports (Appendix 4).
5. This Auditing Standard provides illustrative detailed procedures that may be performed in an engagement to review a financial report that are not contained in ISRE 2410 (Appendix 2).

Compliance with this Auditing Standard on Review Engagements enables compliance with ISRE 2410 to the extent described above.

Appendix 1

(Ref: Para. A8)

EXAMPLE OF AN ENGAGEMENT LETTER FOR A REVIEW OF A FINANCIAL REPORT

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

To [those charged with governance:⁸]

Scope

You have requested that we review the half-year financial report⁹ of [name of entity], which comprises the statement of financial position as at 31 December 20XX, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month¹⁰ period ended on that date, and notes comprising significant accounting policies and other explanatory information and the directors' declaration. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.

Our review will be conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* with the objective of providing us with a basis for reporting whether we have become aware of any matter that makes causes us to believe that the half-year financial report does not comply with the *Corporations Act 2001*, including giving a true and fair view of the financial position and its performance, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*.¹¹ Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of a financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we shall express no such opinion. ASRE 2410 requires us to also comply with the ethical requirements relevant to the audit of the annual financial report of the entity.

We expect to report on the half-year financial report¹² as follows:

[Include text of sample review report - see Appendix 3 or 4 as appropriate.]

The directors [those charged with governance¹³] of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. As part of our review, we shall request written representations from management concerning assertions made in connection with the review. We shall also request that where any document containing the half-year financial report indicates that the half-year financial report has been reviewed, our review report will also be included in the document.

⁸ Insert the appropriate term, such as "Directors" or "Board of Management".

⁹ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹⁰ If the period being reviewed is other than six months, then this should be amended as appropriate.

¹¹ Amend as appropriate - refer paragraph 32 (e)

¹² If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹³ Insert the appropriate term, such as "Directors or Board of Management".

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

The directors [those charged with governance] of the [company/registered scheme/disclosing entity] acknowledge and understand they have responsibility to provide us with:

- (i) access to information relevant to the preparation of the half-year financial report;
- (ii) additional information that we may request for the purposes of the review engagement; and
- (iii) unrestricted access to persons from whom we determine it is necessary to obtain evidence.

A review of the half-year financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* and the Accounting Professional and Ethics Standard Board APES 110 *Code of Ethics for Professional Accountants* (The Code) in relation to the review of the half-year financial report. In conducting our review of the half-year financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis. As part of our review process, we shall also provide you with a written independence declaration as required by the *Corporations Act 2001*.

The *Corporations Act 2001* includes specific restrictions on the employment relationships that can exist between the reviewed entity and its auditors. To assist us in meeting the independence requirements of the *Corporations Act 2001*, and to the extent permitted by law and regulation, we request you discuss with us:

- The provision of services offered to you by [insert firm name] prior to engaging or accepting the service; and
- The prospective employment opportunities of any current or former partner or professional employee of [insert firm name] prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Presentation of the reviewed half-year financial report in electronic format

It is our understanding that [the entity] intends to publish a hard copy of the reviewed half-year financial report and the auditor's review report for members, and to electronically present the reviewed half-year financial report and the auditor's review report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by [the entity] to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of reviewed financial information on the entity's web site is beyond the scope of the review of the half-year financial report. Responsibility for the electronic presentation of the half-year financial report on the entity's web site is that of the [governing body of the entity].

Fees

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

[This letter will be effective for future years unless it is terminated, amended or superseded.¹⁴]

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the half-year financial report.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by

(signed)

.....

Name and Title

Date

¹⁴ Use if applicable.

EXAMPLE OF A REPRESENTATION LETTER

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

Representations by management will vary from one entity to another and from one period to the next. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management have made oral representations which the auditor wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Auditor]

[Date]

This representation letter is provided in connection with your review of the half-year¹⁵ financial report¹⁶ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether you became aware of any matter in the course of the review that makes you believe that the half-year financial report does not comply with the *Corporations Act 2001*.

We acknowledge our responsibility for ensuring that the half-year financial report is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the [company/entity]'s financial position as at [date] and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

We confirm that the half-year financial report is prepared and presented in accordance with the *Corporations Act 2001* and is free of material misstatements, including omissions.

OR

[This representation letter is provided in connection with your review of the financial report¹⁷ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the financial report is not, in all material respects¹⁸, presented fairly in accordance with [applicable financial reporting framework¹⁹].

We acknowledge our responsibility for ensuring that the financial report is in accordance with [applicable financial reporting framework].

We confirm that the financial report is prepared and presented fairly in accordance with [applicable financial reporting framework] and is free of material misstatements, including omissions.

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

[Include representations required by this Auditing Standard (paragraph 23) and those relevant to the entity. Such representations may include the following examples.]

¹⁵ If the period being reviewed is other than six months, then this should be amended as appropriate.

¹⁶ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the type of report being reviewed.

¹⁷ The term "financial report" should be changed to reflect the type of report being reviewed, as appropriate.

¹⁸ If a compliance framework are wording in paragraph 32 (e) (iii)

¹⁹ Specify the applicable financial reporting framework/requirements.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

1. We have made available to you:
 - (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
 - (b) minutes of all meetings of [shareholders, directors, committees of directors, Boards of Management].
2. We have disclosed to you the results of our assessment of the risk that the [financial report] may be materially misstated as a result of fraud.
3. There:
 - (a) has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
 - (b) has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
 - (c) have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.
4. We are responsible for an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been recorded properly in the accounting records underlying the financial report.
5. We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.
6. We have considered the requirements of Accounting Standard AASB 136 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
7. We believe the effects of uncorrected misstatements summarised in the accompanying schedule are immaterial, both individually and in the aggregate, to the [half-year] financial report taken as a whole.
8. The following have been recorded and/or disclosed properly in the [half-year] financial report:
 - (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
 - (b) share options, warrants, conversions or other requirements;
 - (c) arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
 - (d) agreements to repurchase assets previously sold;
 - (e) material liabilities or contingent liabilities or assets including those arising under derivative financial instruments;
 - (f) unasserted claims or assessments that our lawyer(s) has advised us are probable of assertion; and

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- (g) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
9. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.
10. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.
11. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
12. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.
13. We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.
14. No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the [financial report].

We understand that your examination was made in accordance with Auditing Standard on Review Engagements ASRE 2410 and was, therefore, designed primarily for the purpose of expressing a conclusion on the financial report of [the entity], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

Notes:

[The above example representation letter may need to be amended in certain circumstances. The following illustrate some of those situations.]

(h) Exceptions

Where matters are disclosed in the financial report, the associated representation needs to be amended, for example:

- If a subsequent event has been disclosed, Item 14 (above) could be modified to read:
“Except as discussed in Note X to the financial report, no events have occurred”
- If the entity has plans that impact the carrying values of assets and liabilities, Item 5 (above) could be modified to read:
“The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plan to dispose of segment X, as

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

disclosed in note Y in the financial report, which is discussed in the minutes of the meeting of the governing body²⁰ held on [date]”.

(i) Other Required Information

Certain entities may be required to include other information in the financial report, for example, performance indicators for government entities. In addition to identifying this information and the applicable financial reporting framework in paragraphs 1 and 2 of the example management representation letter, an additional paragraph similar to the following may be appropriate:

“The disclosures of key performance indicators have been prepared and presented in conformity with [relevant statutory requirements] and we consider the indicators reported to be relevant to the stated objectives of the [entity]”.

(j) Management’s Opinions and Representation in the Notes to the Financial Statements

Where the notes to the financial statements include opinions and representations by management, such matters may be addressed in the representation letter. For example, notes relating to the anticipated outcome of litigation, the intent and ability to hold long-term securities to maturity and plans necessary to support the going concern basis.

(k) Environmental Matters

In situations where there are environmental matters that may, but probably will not, require an outflow of resources, this may be reflected in an addition to Item 9 (above), for example:

“However, the [entity] has received a notice from the Environmental Protection Agency that it may be required to share in the cost of clean-up of the [name] waste disposal site. This matter has been disclosed in Note A in the financial report and we believe that the disclosure and estimated contingent loss is reasonable based on available information.”

(l) Compliance

If, as part of the review, the auditor is required also to report on the entity’s compliance with laws and regulations, a representation may be appropriate acknowledging that management is responsible for the entity’s compliance with applicable laws and regulations and that the requirements have been met. For example, for reviews under the *Corporations Act 2001*, the following paragraph may be added:

“The financial records of the [company, registered scheme or disclosing entity] have been kept so as to be sufficient to enable a financial report to be prepared and reviewed, and other records and registers required by the *Corporations Act 2001* have been kept properly and are up-to-date.

(m) Other Matters

Additional representations that may be appropriate in specific situations may include the following:

- Justification for a change in accounting policy.
- The work of a management expert has been used.

²⁰ Insert the appropriate term, such as “Directors or Board of Management”.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- Arrangements for controlling the dissemination of the financial report and auditor's review report on the Internet.

Appendix 2

(Ref: Para. A20)

ANALYTICAL PROCEDURES THE AUDITOR MAY CONSIDER WHEN PERFORMING A REVIEW OF A FINANCIAL REPORT

The analytical procedures carried out in a review of a financial report are determined by the auditor's judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

Examples of analytical procedures the auditor may consider when performing a review of a financial report include the following:

- Comparing the financial report with the financial report of the immediately preceding period, with the financial report of the corresponding period of the preceding financial year, with the financial report that was expected by management for the current period, and with the most recent audited annual financial report.
- Comparing the current financial report with anticipated results, such as budgets or forecasts. For example, comparing sources of revenue and the and the cost of sales in the current financial report with corresponding information in:
 - budgets, including expected gross margin(s); and
 - financial information for prior periods.
- Comparing the current financial report with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that reasonably are expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial report with corresponding relationships in the financial report of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
 - by period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts;
 - by product line or source of revenue;
 - by location, for example by component;
 - by attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen; and
 - by several attributes of the transaction, for example, sales by product and month.

**ILLUSTRATIVE DETAILED PROCEDURES THAT MAY BE PERFORMED
IN AN ENGAGEMENT TO REVIEW A FINANCIAL REPORT**

The enquiry, analytical and other procedures carried out in a review of a financial report are determined by the auditor exercising professional judgement in light of the auditor's assessment of the risk of material misstatement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

General

1. Confirm that the engagement team complies with relevant independence and ethical requirements.
2. Prepare and send an engagement letter to the entity.
3. Discuss the terms and scope of the engagement with the engagement team.
4. Obtain or update knowledge and understanding of the business, the key internal and external changes (including laws and regulations), and their effect on the scope of the review, materiality and risk assessment. This can be performed through the following:
 - a. Ascertaining whether there have been any significant changes to the nature and scope of operations.
 - b. Considering the results and effects of previous audits and review engagements.
 - c. Enquiring of persons responsible for financial reporting in respect of matters that impact on the reliability of the underlying accounting records. For example, considering fraud risk, material weaknesses in internal controls and any significant changes to internal control policies and procedures
 - d. Considering the results of any internal audits performed and the subsequent actions taken by management.
 - e. Considering whether additional procedures will be required on any significant accounts where internal controls relating to significant processes have been historically unreliable in detecting and preventing errors in the financial report.

Assess the relevance and impact of the results of the above procedures on the current period.

5. Determine materiality, exercising professional judgement, considering both qualitative and quantitative factors.
6. Enquire of persons responsible for financial reporting about the following:
 - a. Accounting policies adopted and consider whether:
 - i. they comply with the applicable financial reporting framework;
 - ii. they have been applied appropriately; and
 - iii. they have been applied consistently and, if not, consider whether disclosure has been made of any changes in the accounting policies.
 - b. Policies and procedures used to assess asset impairment and any consequential estimation of recoverable amount.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

- c. The policies and procedures to determine the fair value of financial assets and financial liabilities.
 - d. New, unusual or complex situations that may have affected the financial report such as a business combination or disposal of a segment of the business. Consider adequacy of additional note disclosures in the financial report.
 - e. Plans to dispose of major assets or business segments.
 - f. Material off-balance sheet transactions, special purpose entities and other equity investments and related accounting treatment and disclosure.
 - g. Knowledge of any allegations of fraud, or suspected fraud.
 - h. Knowledge of any actual or possible significant non-compliance with laws and regulations.
 - i. Compliance with debt covenants.
 - j. Material or unusual related party transactions.
 - k. New or significant changes in commitments, contractual obligations.
7. Obtain and read the minutes of meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial report, and enquire about matters dealt with at meetings for which minutes are not yet available that may affect the financial report.
8. Enquire if actions taken at meetings of shareholders or those charged with governance that affect the financial report have been appropriately reflected therein.
9. Ensure the financial report is agreed to the trial balance and is fairly presented including additional disclosure notes. If applicable, enquire as to whether all intercompany balances have been eliminated.
10. Review other information included in the financial report and document findings. Discuss any material misstatements of fact with the entity's management.

Cash

11. Obtain the bank reconciliations. Enquire about any old or unusual reconciling items with client personnel to assess reasonableness.
12. Enquire about transfers between cash accounts for the period before and after the review date.
13. Enquire whether there are any restrictions on cash accounts.

Revenue and Receivables

14. Enquire about the accounting policies for recognising sales revenue and trade receivables and determine whether they have been consistently and appropriately applied.
15. Obtain a schedule of receivables and determine whether the total agrees with the trial balance.
16. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
17. Obtain an aged analysis of the trade receivables. Enquire about the reason for unusually large accounts, credit balances on accounts or any other unusual balances and enquire about the collectability of receivables.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

18. Consider, with management, the classification of receivables, including non-current balances, net credit balances and amounts due from shareholders, those charged with governance and other related parties in the financial report.
19. Enquire about the method for identifying “slow payment” accounts and setting allowances for doubtful accounts and consider it for reasonableness.
20. Enquire whether receivables have been pledged, factored or discounted and determine whether they have been properly accounted for.
21. Enquire about procedures applied to ensure that a proper cut-off of sales transactions and sales returns has been achieved.
22. Enquire whether accounts represent goods shipped on consignment and, if so, whether adjustments have been made to reverse these transactions and include the goods in inventory.
23. Enquire whether any large credits relating to recorded income have been issued after the balance sheet reporting date and whether provision has been made for such amounts. Consider the reasonableness of any provisions.

Inventories

24. Obtain the inventory list and determine whether:
 - a. the total agrees with the balance in the trial balance; and
 - b. the list is based on a physical count of inventory.
25. Enquire about the method for counting inventory.
26. Where a physical count was not carried out on the balance sheet date, enquire whether:
 - a. a perpetual inventory system is used and whether periodic comparisons are made with actual quantities on hand; and
 - b. an integrated cost system is used and whether it has produced reliable information in the past.
27. Consider adjustments made resulting from the last physical inventory count.
28. Enquire about procedures applied to control cut-off and any inventory movements.
29. Enquire about the basis used in valuing each inventory classification and, in particular, regarding the elimination of inter-branch profits. Enquire whether inventory is valued at the lower of cost and net realisable value (or lower of cost and replacement cost for not-for-profit organisations).
30. Consider the consistency with which inventory valuation methods have been applied, including factors such as material, labour and overhead.
31. Compare amounts of major inventory categories with those of prior periods and with those anticipated for the current period. Enquire about major fluctuations and differences.
32. Compare inventory turnover with that in previous periods.
33. Enquire about the method used for identifying slow moving and obsolete inventory and whether such inventory has been accounted for at net realisable value.
34. Enquire whether any inventory has been consigned to the entity and, if so, whether adjustments have been made to exclude such goods from inventory.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

35. Enquire whether any inventory is pledged, stored at other locations or on consignment to others and consider whether such transactions have been accounted for appropriately.

Investments (Including Associated Entities and Financial Instruments)

36. Obtain a schedule of the investments at the balance sheet reporting date and determine whether it agrees with the trial balance.
37. Enquire whether the accounting policy applied to investments is consistent with prior periods.
38. Enquire from management about the carrying values of investments. Consider whether there are any realisation problems.
39. Enquire whether there are any new investments, including business combinations. Consider classification, measurement and disclosure in respect of material or significant acquisitions.
40. Consider whether gains and losses and investment income have been properly accounted for.
41. Enquire about the classification of long-term and short-term investments.

Property Plant and Equipment and Depreciation

42. Obtain a schedule of the property, plant and equipment indicating the cost and accumulated depreciation and determine whether it agrees with the trial balance.
43. Enquire about the accounting policy applied regarding residual values, provisions to allocate the cost of property, plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether there are any indicators of impairment and whether the property, plant and equipment have suffered a material, permanent impairment in value.
44. Discuss with management the additions and deletions to property, plant and equipment accounts and accounting for gains and losses on disposals or de-recognition. Enquire whether all such transactions have been properly accounted for.
45. Enquire about the consistency with which the depreciation method and rates have been applied and compare depreciation provisions with prior years.
46. Enquire whether there are any restrictions on the property, plant and equipment.
47. Enquire whether lease agreements have been properly reflected in the financial report in conformity with current accounting pronouncements.

Prepaid Expenses, Intangibles and Other Assets

48. Obtain schedules identifying the nature of these accounts and determine whether they agree with the trial balance. Discuss recoverability thereof with management.
49. Enquire whether management have updated their impairment calculations in respect of goodwill or other intangibles. Consider whether there have been any indicators of impairment for intangibles and enquire whether management have appropriately considered discount rates, growth rates, etc.
50. Enquire about the basis for recording these accounts and the amortisation methods used.
51. Compare balances of related expense accounts with those of prior periods and obtain explanations for significant variations with management.
52. Discuss the classification between current and non-current accounts with management.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Investment Property

53. Obtain a schedule of investment property and determine whether it agrees with the trial balance.
54. Enquire whether the accounting policy applied to investment property is consistent with prior periods.
55. Update with management the acquisitions and disposals to investment property and accounting for gains and losses on disposals or de-recognition. Determine whether all significant transactions have been accounted for appropriately.
56. Consider whether there are any indicators of impairment and whether any investment property was subject to recent valuations.

Loans Payable

57. Obtain from management a schedule of loans payable and determine whether the total agrees with the trial balance.
58. Enquire whether there are any loans where there has been a change to the terms and conditions or management has not complied with the provisions of the loan agreement, including any debt covenants. Assess whether loans have been appropriately classified as current or non-current in the financial report.
59. Where material, consider the reasonableness of interest expense in relation to loan balances.
60. Enquire whether loans payable are secured. Review loan and working capital facilities. Enquire if options to extend terms have been exercised or if any debt requires refinancing.

Trade Payables

61. Enquire about the accounting policies for initially recording trade payables and whether the entity is entitled to any allowances given on such transactions.
62. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
63. Obtain a schedule of trade payables and determine whether the total agrees with the trial balance.
64. Enquire whether balances are reconciled with the creditors' statements and compare with prior period balances. Compare turnover with prior periods.
65. Consider whether there could be material unrecorded liabilities.
66. Enquire whether payables to shareholders, those charged with governance and other related parties are separately disclosed.

Other Liabilities and Contingent Liabilities

67. Obtain a schedule of other liabilities and determine whether the total agrees with the trial balance.
68. Compare major balances of related expense accounts with similar accounts for prior periods.
69. Enquire about approvals for such other liabilities, terms of payment, compliance with terms, collateral and classification.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

70. Enquire about other liabilities to assess whether the methodology and assumptions adopted are consistent with prior periods. Enquire whether there are any unusual trends and developments affecting accounting estimates.
71. Enquire as to the nature of amounts included in contingent liabilities and commitments.
72. Enquire whether any actual or contingent liabilities exist which have not been recognised in the accounts. If so, enquire with management and/or those charged with governance whether provisions need to be made in the accounts or whether disclosure should be made in the notes to the financial report.

Income and Other Taxes

73. Enquire from management if there were any events, including disputes with taxation authorities, which could have a significant effect on the taxes payable by the entity. Examine correspondence in relation to any significant matters arising and assess whether events have been reflected appropriately in the financial report.
74. Consider the tax expense in relation to the entity's income for the period.
75. Enquire from management as to the adequacy of the recognised deferred and current tax assets and/or liabilities including provisions in respect of prior periods.

Financial Instruments

76. Enquire or update knowledge and understanding with persons responsible for financial reporting (including any treasury specialist), of what derivatives are in place, what accounting policies are applied to these derivatives and whether they have been consistently applied.
77. Enquire whether any hedges have been entered into for speculative purposes.
78. Enquire whether there are adequate policies and procedures to determine the fair value of financial assets and financial liabilities.
79. Enquire whether there are any sales and transfers that may call into question the classification of investments in securities, including management's intent and ability with respect to the remaining securities classified as held to maturity.

Employee Share Plans

80. Enquire about any new employee share plans or changes to existing plans, and where employee share plans are material, assess whether the accounting methodology has been consistently applied.

Subsequent Events

81. Obtain from management the latest financial report and compare it with the financial report being reviewed or with those for comparable periods from the preceding year.
82. Enquire about events after the balance sheet reporting date that would have a material effect on the financial report under review and, in particular, enquire whether:
 - a. any substantial commitments or uncertainties have arisen subsequent to the balance sheet date;
 - b. any significant changes in the share capital, long-term debt or working capital have occurred up to the date of enquiry; and
 - c. any unusual adjustments have been made during the period between the balance sheet reporting date and the date of enquiry.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Consider the need for adjustments or disclosure in the financial report.

83. Obtain and read the minutes of meetings of shareholders, those charged with governance and appropriate committees subsequent to the balance sheet date and consider any impact of the financial report and disclosures.

Litigation

84. Enquire from persons responsible for financial reporting, and where appropriate in-house litigation specialists, whether the entity is the subject of any legal actions - threatened, pending or in process. Consider the effect thereof on the financial report and any provision for loss.

Equity

85. Obtain and consider a schedule of the transactions in the equity accounts, including new issues, retirements and dividends. Consider whether there are any unusual terms for new issues of debt or equity which could affect classification.
86. Enquire whether there are any restrictions on retained earnings or other equity accounts.

Operations

87. Compare results with those of prior periods and those expected for the current period. Obtain explanations of significant variations with management.
88. Enquire whether the recognition of major revenue and expenses have taken place in the appropriate periods.
89. Enquire whether the policies and procedures related to revenue recognition, including accrued income, have been consistently applied and whether there are any new or complex changes, including any changes in major contracts with customers or suppliers.
90. Consider and update with management the relationship between related items in the revenue account and assess the reasonableness thereof in the context of similar relationships for prior periods and other information available to the auditor.
91. Discuss the policy in respect of capitalisation of interest and whether it is in accordance with Australian Accounting Standards.

Going Concern Assessment

92. Consider the going concern assumption. When events or conditions come to attention which cast significant doubt on the entity's ability to continue as a going concern, perform additional procedures to assess the impact on the financial report and review report. Additional procedures may include:
- i. Discussion with those charged with governance to understand the events and circumstances that have contributed to the current situation to determine whether the risk arising can be mitigated.
 - ii. Plans for future actions, such as plans or intentions to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.
 - iii. Feasibility of the plans and whether those charged with governance believe that the outcome of these plans will improve the situation.
93. Consider the adequacy of disclosure about such matters in the financial report

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Evaluation of Misstatements

- 94. Ensure significant review differences have been summarised and their effect evaluated.
- 95. Ensure material adjustments identified are notified to management/ those charged with governance (as appropriate).

Written Representations

- 96. Obtain written representation from the directors/management/those charged with governance (as appropriate) to confirm matters arising during the course of the review engagement.

Documentation

- 97. Ensure that review documentation is sufficient and appropriate to provide a basis for the conclusion and to provide evidence of compliance with ASRE 2410.

Appendix 3

(Ref: Para. A41)

AN AUDITOR'S REVIEW REPORT UNDER THE CORPORATIONS ACT 2001

Financial Report for a Half-year

Introduction

1. This Appendix has been prepared to assist an auditor, engaged to undertake a review engagement, by providing an example of an auditor's review report on a review of a financial report for a half-year prepared in accordance with Part 2M.3 of the *Corporations Act 2001* ("The Act"). The example reflects both requirements of this Auditing Standard and the Act, but is not intended to require standard wording for the circumstances of particular modifications.
2. This Appendix contains limited extracts from the Act and the Australian Accounting Standards in order to provide a context for the example report included in this Appendix. These selected extracts are included in this Appendix only for the purpose stated and accordingly are not intended to be an exhaustive list of an auditor's obligations and requirements which are found elsewhere in this Auditing Standard, the Act, the Australian Accounting Standards and other relevant mandates.
3. This Appendix:
 - a) Includes selected extracts from the Act and Australian Accounting Standards, and references to other relevant information, to provide a contextual framework; and
 - b) Provides an example of a review report.

Contextual Framework

Corporations Act 2001

The following selected extracts from the Act are included in this Appendix only to point to some of the important requirements of the Act that affect auditors engaged to undertake a review engagement in accordance with the Act.

4. Section 302 states:

"A disclosing entity²¹ must:

 - (a) prepare a financial report and directors' report for each half-year; and
 - (b) have the financial report audited or reviewed in accordance with Division 3 and obtain an auditor's report; and
 - (c) lodge the financial report, the director's report and the auditor's report on the financial report with ASIC;

unless the entity is not a disclosing entity when lodgement is due".

²¹ The definition of a "disclosing entity" is found in Part 1.2A, Division 2, section 111AC of the *Corporations Act 2001*.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

5. Section 303(1) states:

- a) “The financial report for a half-year consists of:
- b) the financial statements for the half-year;
- c) the notes to the financial statements; and
- d) the directors’ declaration about the statements and notes”.

6. Section 304 states:

“The financial report for a half-year must comply with the accounting standards and any further requirements in the regulations”.

7. Section 305 states:

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

- a) the financial position and performance of the disclosing entity; or
- b) if consolidated financial statements are required the financial position and performance of the consolidated entity.

This section does not affect the obligation under section 304 for financial reports to comply with accounting standards.

Note: If the financial statements prepared in compliance with the accounting standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph 303(3)(c)”.

8. Section 309(4) states:

“An auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe the financial report does not comply with Division 2”.

9. Section 309(5) states:

“A report under subsection (4) must:

- a) Describe any matter referred to in subsection (4); and
- b) Say why that matter makes the auditor believe that the financial report does not comply with Division 2”.

10. Section 309(5A) states:

“The auditor’s report must include any statements or disclosures required by the auditing standards”.

11. Section 320 states:

“A disclosing entity that has to prepare or obtain a report for a half-year under Division 2 must lodge the report with ASIC within 75 days after the end of the half-year”.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Other Information – ASIC and ASX

12. An auditor, in the role of auditor, is required by section 311 of the Act to notify ASIC if the auditor is aware of certain circumstances. ASIC Regulatory Guide 34 *Auditors' obligations: reporting to ASIC* (May 2013), provides guidance to help auditors comply with their obligations under section 311 of the Act.
13. ASIC and the ASX have agreed that listed entities can satisfy the requirements of the Act by lodging the half-year financial report, the directors' report, and the review report on the financial report with the ASX. Details are provided in ASIC Regulatory Guide 28 *Relief from dual lodgement of financial reports* (July 2003) and *ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2601/181*.

Australian Accounting Standards

14. Minimum Components of an Interim Financial Report – AASB 134 Interim Financial Reporting, paragraph 8:

An interim financial report shall include, at a minimum, the following components:

- a. a condensed statement of financial position;
- b. a condensed statement of comprehensive income;
- c. a condensed statement of changes in equity showing either:
 - i. all changes in equity; or
 - ii. changes in equity other than those arising from capital transactions with owners and distributions to owners;
- d. a condensed statement of cash flows; and
- e. selected explanatory notes.

15. Form and Content of Interim Financial Reports - AASB 134 paragraph 9 states:

“If an entity publishes a complete financial report as its interim financial report, the form and content of that report shall conform to the requirements of AASB 101 for a financial report”.

16. Form and Content of Interim Financial Reports – AASB 134 paragraph 10 states:

“If an entity publishes a condensed financial report as its interim financial report, that condensed report shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading”.

17. Materiality - AASB 134 paragraph 23 states:

“In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data”.

**EXAMPLE OF AN UNMODIFIED AUDITOR'S REVIEW REPORT ON
A CONDENSED HALF-YEAR FINANCIAL REPORT – SINGLE
DISCLOSING ENTITY – CORPORATIONS ACT 2001**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of [name of entity]

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of [name of company], which comprises the condensed statement of financial position as at 31 December 20XX, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies [statement or description of accounting policies²²] and other explanatory information, and the directors' declaration.²³

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of [name of company] does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the [name of entity's] financial position as at 31 December 20XX and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review 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 audit of the annual 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 review report.²⁴

*Responsibilities of the Directors for the Financial Report*²⁵

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors

²² Insert relevant statement or description of accounting policies as required by AASB 134.

²³ When the auditor is aware that the half-year financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited half-year financial report is presented.

²⁴ 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 review report was made.

²⁵ Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the half-year financial report the directors are responsible for the assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 20XX and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether the Directors have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of the Directors as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the half-year financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's name and signature]²⁶

[Name of firm]²⁹

[Date of the auditor's review report]²⁷

[Auditor's address]

²⁶ Consistent with ASA 700 Paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to sign the auditors' review 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.

²⁷ The date of the auditor's report is the date the auditor signs the report.

Appendix 4

(Ref: Para. A41)

Illustrations of Auditors' Review Reports for financial reports not prepared under the *Corporations Act 2001* —Unmodified and Modified Conclusions

Example A - Unmodified Auditor's Review Report on a Financial Report
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example B - Auditor's Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example C - Auditor's Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example D - Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example E - Auditor's Review Report with a Qualified Conclusion (Except for) on the Basis that Comparatives have not been Reviewed or Audited
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Fair Presentation

Example F - Unmodified Auditor's Review Report on a Financial Report
Financial Report Prepared in Accordance with a Financial Reporting Framework Designed to Achieve Compliance.

**EXAMPLE A - UNMODIFIED AUDITOR'S REVIEW REPORT ON A
FINANCIAL REPORT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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 policies²⁸, and [the declaration by those charged with governance].^{29, 30}

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"³¹] the financial position of the [entity] as at [date], and its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibilities of Management for the Financial Report*³²

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Review of the Financial Report

²⁸ Insert relevant statement or description of accounting policies as required by AASB 134

²⁹ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

³⁰ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

³¹ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

³² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not present fairly, in all material respects, [or “give a true and fair view of”] the financial position of the [entity] as at [date] and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management has changed their assessment of the Company’s ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor’s review report will vary depending on the nature of the auditor’s other reporting responsibilities.]

[Auditor’s signature]³³

[Date of the auditor’s review report]³⁴

[Auditor’s address]

³³ The auditor’s review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

³⁴ The date of the auditor’s report is the date the auditor signs the report.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

EXAMPLE B - AUDITOR'S REVIEW REPORT WITH A QUALIFIED CONCLUSION (EXCEPT FOR) FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK

FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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, and [the declaration by those charged with governance³⁵].^{36, 37}

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"³⁸] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

Based on information provided to us by management, [name of entity] has excluded from property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$_____, long-term debt by \$_____, and net income and earnings per share would be increased (decreased) by \$_____ and \$_____ respectively for the [period] ended on that date.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibility of Management for the Financial Report*³⁹

Management are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair

³⁵ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

³⁶ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

³⁷ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

³⁸ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

³⁹ Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁴⁰] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities].

[Auditor's signature]⁴¹

[Date of the auditor's review report]⁴²

[Auditor's address]

⁴⁰ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁴¹ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁴² The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE C - AUDITOR'S REVIEW REPORT WITH A QUALIFIED
CONCLUSION FOR A LIMITATION ON SCOPE NOT IMPOSED BY
MANAGEMENT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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 policies⁴³, and [the declaration by those charged with governance⁴⁴],⁴⁵ ⁴⁶

Based on our review, which is not an audit, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁴⁷] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$ _____ included in the [period] financial report. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. We consider the possible effects incapable of reliable measurement at this time. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial report.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

*Responsibility of Management for the Financial Report*⁴⁸

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair

⁴³ Insert relevant statement or description of accounting policies as required by AASB 134

⁴⁴ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁴⁵ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁴⁶ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁴⁷ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁴⁸ Or other terms that are appropriate

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁴⁹] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁵⁰]

[Date of the auditor's review report]⁵¹

[Auditor's address]

**EXAMPLE D AUDITOR'S REVIEW REPORT WITH AN ADVERSE
CONCLUSION FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL
REPORTING FRAMEWORK**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Adverse Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, notes comprising a summary of accounting policies⁵²], and the director's declaration⁵³].^{54, 55}

Based on our review, which is not an audit, because of the significance of the matter described in the *Basis for Adverse Conclusion* section of our report, this [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of⁵⁶"] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Adverse Conclusion

As explained in Note X, commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial reports of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the financial report would have been materially different. The effects on the financial report of the failure to consolidate have not been determined.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair

⁵² Insert relevant statement or description of accounting policies.

⁵³ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁵⁴ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁵⁵ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁵⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, [those charged with governance] are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁵⁷] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry and other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁵⁸]

[Date of the auditor's review report]⁵⁹

[Auditor's address]

⁵⁷ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁵⁸ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁵⁹ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE E - AUDITOR'S REVIEW REPORT WITH A QUALIFIED
CONCLUSION (EXCEPT FOR) ON THE BASIS THAT COMPARATIVES
HAVE NOT BEEN REVIEWED OR AUDITED**

Commented [YJ34]: Refer BMSP para 32
Not in accordance with ASA 510 para 21
Proposed to be deleted

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE FAIR PRESENTATION**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Qualified Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and cash flow statement for the [period] ended on that date, and notes to the financial report, including a summary of significant accounting policies⁶⁰, and [the declaration of those charged with governance⁶¹].^{62, 63}

Based on our review, which is not an audit, except for the effects of the matter described in the Basis for Conclusion section, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of⁶⁴"] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

As this is the first year that [name of entity] is required to prepare a [period] financial report and have it reviewed, the balance sheet, income statement, statement of changes in equity, cash flow statement, [statement or description of accounting policies⁶⁵] and other selected explanatory notes for the preceding corresponding [period] have not been reviewed or audited. Accordingly, we are not in a position to and do not express any assurance in respect of the comparative information for the [period] ended [date of preceding corresponding period]. We have, however, audited the financial report for the preceding financial year ended [date of preceding financial year] and therefore our review statement is not qualified in respect of the comparative information for the year ended [date of preceding financial year] included in the balance sheet.

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

⁶⁰ Insert relevant statement or description of accounting policies.

⁶¹ Amend these terms to reflect the appropriate assertion and title for those charged with governance.

⁶² When the auditor is aware that the interim financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed interim financial report is presented.

⁶³ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁶⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁶⁵ Insert relevant statement or description of accounting policies.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of [name of entity], would be in the same terms if given to the directors as at the time of this auditor's review report.⁶⁶

Responsibility of Management for the Financial Report

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, [those charged with governance] are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless [those charged with governance] either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"⁶⁷] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management have changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial Report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature⁶⁸]

[Date of the auditor's review report]⁶⁹

[Auditor's address]

⁶⁶ 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 review report was made.

⁶⁷ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, contains information on the wording of reports that may be helpful.

⁶⁸ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁶⁹ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE F - UNMODIFIED AUDITOR'S REVIEW REPORT ON A
FINANCIAL REPORT**

**FINANCIAL REPORT PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING
FRAMEWORK DESIGNED TO ACHIEVE COMPLIANCE**

INDEPENDENT AUDITOR'S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report

Conclusion

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, 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, and [the declaration by those charged with governance⁷⁰].^{71, 72}

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] has not been prepared, in all material respects, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the [entity] in accordance with the auditor independence 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 review of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Commented [WA35]: Same as the auditor's report. Independence

*Responsibility of Management for the Financial Report*⁷³

Management of the [type of entity] are responsible for the preparation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the financial report has not been prepared, in all material respects in accordance with [applicable financial reporting framework].

⁷⁰ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁷¹ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁷² The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁷³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Proposed Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Auditor of the Entity

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We make enquiries about whether management has changed their assessment of the Company's ability to continue as a going concern. When as a result of this enquiry or other review procedures, we become aware of events or conditions that may cast significant doubt on the Company's ability to continue as a going concern, we enquire of management as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation. We consider the adequacy of the disclosures about such matters in the financial report.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's review report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]⁷⁴

[Date of the auditor's review report]⁷⁵

[Auditor's address]

⁷⁴ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁷⁵ The date of the auditor's report is the date the auditor signs the report.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8.1.0**

Meeting Date: 16 April 2019

Subject: Guidance Statement Revision Plan

Date Prepared: 25 March 2019

Prepared by: Tim Austin

Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of **Agenda Item 8.1** is for the AUASB to provide responses to questions 1 and 2 below.

Questions

1. Are AUASB Members aware of any Guidance Statements which should be prioritised for review?
2. Does the AUASB agree with the criteria outlined in paragraph 6?

Background

2. In response to consultation with stakeholders on the AUASB's Corporate Plan / Work Program in 2017/18, the AUASB committed to:

Develop, update and maintain Australian specific Standards and/or Guidance Statements for topics not specifically addressed by IAASB Standards as required.
3. To action this commitment, the AUASB and AUASB Technical Group (ATG) planned to:
 - (a) Review and revise out of date guidance statements beginning with GS 010¹, and GS 019² in 2017-18; and
 - (b) Review, prioritise and revise all other statements beyond 2018-19.

¹ Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

² Guidance Statement GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities*

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.

4. As a result of other work program commitments in the 2017-18 year, a revision of GS 010³ and GS 019 was not completed. However, in the interim, the AUASB has initiated reviewing several other Guidance Statements (GSs) in response to specific requests from stakeholders or related projects, which includes:
 - (a) GS 005 *Using the Work of a Management's Expert* (**Agenda Item 8.2**)
 - (b) GS 012 *Prudential Reporting and Requirements for Auditors of Authorised Deposit-taking Institutions* (**Agenda Item 8.3**); and
 - (c) GS 009 *Auditing Self-Managed Superannuation Funds* (**Agenda Item 8.4**).

Matters to Consider

5. The AUASB Technical Group (ATG), have provided below the full list of current AUASB Guidance Statements which have been broken down into four categories:
 - (a) Guidance Statements which are currently being considered as part of an AUASB Project;
 - (b) Guidance Statements which are known to require review; and
 - (c) Guidance Statements which were issued before 2015; and
 - (d) Guidance Statements which were issued in 2015 or later.
6. The ATG will undertake an assessment of each of the guidance statements to determine their order of importance for review. This will be based on the following criteria:
 - (a) Have there been changes in relevant legislation/regulation?
 - (b) Have there been changes to relevant reporting standards which would impact on how the audit is conducted? (For example, has GS 020 *Special Considerations in Auditing Financial Instruments* been impacted by AASB 9 *Financial Instruments* issued in December 2014.)
 - (c) Have there been changes in practice which would indicate a Guidance Statement is no longer relevant? (For example, GS 016 *Bank Confirmation Request* is written for paper based bank confirmations, when in practice most confirmations are done electronically.)
7. The ATG will conduct outreach to discuss the above criteria with relevant stakeholders. A summary of the outreach will be provided to the AUASB at the June 2019 AUASB Meeting.

Current Guidance Statement Revision Projects

No.	Title	Issue Date	Operative Date
GS 005	<i>Using the Work of a Management's Expert</i>	Mar 2015	Mar 2015
GS 009	<i>Auditing Self-Managed Superannuation Funds</i>	Sep 2015	Sep 2015
GS 012	<i>Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions</i>	Jun 2009	Jun 2009

Guidance Statements Known to Require Review

No.	Title	Issue Date	Operative Date
GS 016	<i>Bank Confirmation Requests</i>	Jun 2010	Sep 2010
GS 019	<i>Auditing Fundraising Revenue of Not-for-Profit Entities</i>	Apr 2011	Apr 2011

³ The AUASB discussed revising GS 010 in 2017 to consider auditor reporting changes. Was not considered a priority at the time and was deferred for further discussion to a later date.

Guidance Statements Issued Before 2015

APRA Related Subject Matter

No.	Title	Issue Date	Operative Date
GS 002	<i>Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities</i>	Jan 2014	Jan 2014
GS 004	<i>Audit Implications of Prudential Reporting Requirements for General Insurers and Insurance Groups</i>	May 2013	May 2013
GS 017	<i>Audit Implications for Prudential Reporting Requirements of a Life Company</i>	Dec 2014	Dec 2014

ASIC Related Subject Matter

No.	Title	Issue Date	Operative Date
GS 008	<i>The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001</i>	Mar 2010	Jan 2010
GS 013	<i>Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes</i>	Aug 2009	Aug 2009
GS 014	<i>Auditing Mortgage Schemes</i>	Aug 2009	Aug 2009

All Other Subject Matter

No.	Title	Issue Date	Operative Date
GS 006	<i>Electronic Publication of the Auditor's Report</i>	Mar 2010	Jan 2010
GS 007	<i>Audit Implications of the Use of Service Organisations for Investment Management Services</i>	Oct 2011	Jan 2012
GS 010	<i>Responding to Questions at an Annual General Meeting</i>	Mar 2009	Mar 2009
GS 011	<i>Third Party Access to Audit Working Papers</i>	Apr 2009	Apr 2009
GS 015	<i>Audit Implications of Accounting for Investments in Associates</i>	Nov 2009	Nov 2009
GS 020	<i>Special Considerations in Auditing Financial Instruments</i>	Mar 2012	Mar 2012
GS 021	<i>Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes</i>	Nov 2012	Nov 2012

Guidance Statements Issued in 2015 or Later

No.	Title	Issue Date	Operative Date
GS 001	<i>Concise Financial Reports Under the Corporations Act 2001</i>	May 2017	
GS 003	<i>Assurance Relating to Australian Financial Services Licences issued under the Corporations Act 2001</i>	Sep 2015	Sep 2015
GS 018	<i>Franchising Code of Conduct – Auditor's Reports</i>	Jun 2015	Jun 2015
GS 022	<i>Grant Acquittals and Multi-Scope Engagements</i>	Jun 2015	Jun 2015

Questions for the AUASB

Questions

1. Are AUASB Members aware of any Guidance Statements which should be prioritised for review?
2. Does the AUASB agree with the criteria outlined in paragraph 6?

Material Presented

Agenda Item 8.1.0

AUASB BMSP Guidance Statement Revision

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and provide feedback on the ATG evidence gathering.	Approval	AUASB	16 April 2019	Pending



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8.4**

Meeting Date: 16 April 2019

Subject: GS 009 – *Auditing Self-Managed Superannuation Funds (September 2015)*

Date Prepared: 9 April 2019

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To inform the AUASB of correspondence received from both the ATO and CPA Australia / CA ANZ re: GS 009 – *Auditing Self-Managed Superannuation Funds (September 2015)*.

Matters to Consider

Part A – General

1. This correspondence will be considered by the AUASB as part of the discussion on the Guidance Statement Update Plan at Agenda Item 8.1.

Part B – NZAuASB

1. N/A

Part C – “Compelling Reasons” Assessment

1. N/A

The proposed changes conform with IAASB modification guidelines for NSS?

Y N

Material Presented

Agenda Item 8.4 AUASB Board Meeting Summary Paper

Agenda Item 8.4.1 GS009_ATO_submission_18022019

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.



Australian Government
Australian Taxation Office

Updating Guidance Statement GS009
Auditing Self-Managed Superannuation Funds

ATO Submission
19 February 2019

Introduction

As a result of some recent guidance the ATO has issued on reciprocal auditing arrangements and the recent litigation cases of *Cam & Bear Pty Ltd v. McGoldrick [2018] NSWCA 110* and *Ryan Wealth Holdings Pty Ltd v. Baumgartner [2018] NSWSC 1502*, the ATO request that the AUASB look at updating *GS009 – Auditing Self-Managed Superannuation Funds* (September 2015) (“GS009”). We have outlined below some of the changes that are necessary by referencing the appropriate paragraph or Appendix within GS009.

Introduction

- **Paragraph 4** - This may need to be changed if the legislation is passed that increases members from four to six. This also affects paragraph 11.
- **Paragraph 5** – currently states that audits should be carried out on a yearly basis. This may need to be changed if the 3 year audit cycle proposal is introduced and passed as law.

Auditor’s Responsibilities

Conduct the Financial Audit in Accordance with the Auditing Standards

- **Paragraph 22 (e) ASA 230 – Audit Documentation**- could we add how important it is for auditors to make notes in their audit files about the conclusions they reached and provide an example eg. if you consider that rental income received by a fund is at arm’s length record this conclusion in your file.

Lack of documenting audit conclusions is an issue we constantly identify and refer to ASIC. This could be avoided if when the auditor considers the relevant legislation and regulations they record their findings/conclusions that helped reach their opinion in writing. (Maybe a few lines could also be added at para 103 relating to documenting their conclusions based on the evidence obtained and evaluation of that evidence/documents).

- **Paragraph 22 (h) ASA 260 – Communication with those charged with Governance** - it could be worth mentioning *McGoldrick* and *Baumgartner* in this paragraph as both cases are examples of why it is important for auditors to directly communicate with the trustees, especially with respect to significant issues.
- **Paragraph 22 (p) ASA 500 – Audit Evidence** - could we add further guidance here on the importance of obtaining and keeping the evidence in the audit file as this is an issue that we are consistently having to refer to ASIC. ie without evidence such as source documents, we have no evidence that the auditor has carried out an adequate and proper audit.... can we also expand a bit more on this issue at paragraphs 78 - 84 which goes into more detail relating to audit evidence and how important this is

Independence

- **Paragraphs 46 and 47** – we believe that a paragraph could be added between these two paragraphs that describes reciprocal auditing arrangements (ie the first arrangement being one involving two auditors who audit each other’s SMSF and how there would be no safe

guards that could be put in place to reduce independence threats. The second type being an arrangement involving two auditors who are also professional accountants and who prepare financial accounts and who directly swap each other's clients for the purpose of the SMSF audit. Appropriate safeguards being to spread the referrals to a number of different auditors so the one source is not relied upon.

- **Para 47** could include an extra bullet point:
 - 'Ceasing a reciprocal auditing arrangement where two auditors had entered into an arrangement to audit each other's SMSF'.
- **Para 130** – this paragraph talks about the requirement to have an actuarial certificate, as there are changes to these requirements from 1 July 2017 this para will need re-wording

Valuation and Allocation of Assets

- **Paragraphs 163 – 171** – this relates to valuation of assets. Given the Baumgartner case, can we add something here to remind auditors that if they do not get evidence from the trustees to support the market value reported in the financials that they should report (if it meets the reporting criteria) this to the trustees in writing and to the ATO in an Auditor/Actuary Contravention Report (ACR). Regulation 8.02B is the most common contravention included in our referrals to ASIC so reinforcing and clarifying this requirement is important.
- **Paragraph 169** – consider adding an example such as 'For example, where a fund has an unlisted share or trust investment, the auditor should modify their opinion if they are unable to obtain satisfactory confirmation of the value of the investment'. (relevant in light of the recent *Baumgartner* and *McGoldrick* cases).

Receivables and Prepayments

- **Paragraph 179** – include a reference to SMSFR 2009/3 *Self-Managed Superannuation Funds: application of the SISA to unpaid trust distributions payable to an SMSF*. Link: <http://ato.gov.au/law/view/document?DocID=SFR/SMSFR20093/NAT/ATO/00001&PiT=99991231235958>

Liabilities

- **Paragraph 184** – could include an extra bullet point 'Loan documents for LRBAs do not specify the loan is limited in recourse'

Reserves

- **Paragraphs 192 to 200 and 351** – in response to the new measures and the potential to circumvent the caps through the use of reserves, the ATO published SMSF Regulator's Bulletin SMSFRB 2018/1 *The use of reserves by self-managed superannuation funds*

<http://ato.gov.au/law/view/document?DocID=SRB/SRB20181/NAT/ATO&PiT=99991231235958>

The Bulletin states that we think it is inappropriate for a SMSF to have an investment reserve and so we should make this clear.

- **Paragraphs 199 & 338** – there will no longer be a need for a SMSF to have an anti-detriment reserve. This is because the deduction is no longer available in relation to super lump sums paid to a spouse, former spouse or child of the deceased member on or after 1 July 2019 or where the deceased member died on or after 1 July 2017.

Contributions and Transfers In

- **Paragraph 204** – some of these contributions such as directed termination payments are no longer available and there are new contribution such as the downsizer housing contribution that could be added here.

Investment Strategy

- **Paragraphs 280 – 283** – consider whether it could be worthwhile making reference to Baumgartner’s Case here as highlighting the importance of the need for an auditor to verify that the Fund’s investments are in line with its strategy.

Contribution Restrictions

- **Paragraphs 342 – 347** – will need updating if law is passed relaxing the work test for those over 65 years of age.

Appendix 3 – checklist – E1 – contributions

- Need to ensure all information is correct and add downsizer contributions

Appendix 4

- Need to ensure all info is still current and correct
 - **At C1 (Clerical accuracy and note references)** – add in a bullet point ‘Assets and liabilities are correctly classified and valued in the financial statements’ (could reference *McGoldrick* case where non-cash assets were classified as cash assets and were not recorded at the correct values).

Appendix 5

- Update to Include examples on two types of reciprocal auditing arrangements that we believe give rise to independence threats

The ATO issued guidance on Reciprocal auditing arrangements on 7 December 2018.

<https://www.ato.gov.au/Super/Sup/Reciprocal-auditing-arrangements/>

These arrangements either involve two SMSF auditors who audit each other’s SMSF or arrangements whereby two professional accountants who are also SMSF auditors and who prepare the accounts for a number of SMSFs, enter into an arrangement to audit each other clients’ SMSFs.

When applying *Accounting Professional and Ethical Standard (APES) 110 Code of Ethics for Professional Accountants*, potential threats to independence in these types of reciprocal auditing arrangements may include self-interest threats, familiarity and intimidation threats.

The ATO and ASIC view is that there are no safeguards that can be put in place to eliminate independence threats in relation to a reciprocal arrangement involving two SMSF auditors who audit each other's fund. However ATO records show that almost 700 auditors (350 reciprocal arrangements) could be involved in these types of reciprocal auditing arrangements.

Responses to a recent survey sent to 100 auditors who had entered into this type of reciprocal auditing arrangement suggested that some auditors believed that independence threats arising from this type of arrangement could be safeguarded against.

In which case, it is considered that amending Appendix 5 in GS009 to include an example of these types of arrangements breaching independence guidelines would provide further guidance and clarity to auditors.

- We also recommend that the reference to reciprocal arrangements in examples 2 and 4 make it clear that any resulting arrangement should be spread amongst a number of auditors and not just the one auditor.
- Also include a scenario for a family relationship between the auditor and the accountant.
Eg:
 - Scenario – An auditor is asked by an accounting firm to accept the audit work of their SMSF clients. The principal in the accounting firm is the auditor's son.

We encountered this real scenario when reviewing an auditor's file. Both the father and son had separate businesses. We couldn't locate any paragraphs within APES 110 that directly applied, however there is an issue with independence 'in appearance' as per the Independence Guide issue by the Joint Accounting bodies. There are also threats in paragraphs 100.12 of APES 110 such as self-interest threats, familiarity threats and intimidation threats.

Other recommendations

New terms to be introduced - The superannuation new measures introduced new terms and rules about Transfer Balance Caps, Total Superannuation Balance, Commutation authorities, Transfer Balance Account Reporting, and release authorities for Excess Transfer Balance Determinations. These new terms should be introduced at relevant parts of the Guidance Statement.

Prof. Roger Simnett
Chair
Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street Melbourne VIC 3000

By email: rsimnett@auasb.gov.au

13 February 2019

Dear Roger

Revision of Guidance Statement GS 009 *Auditing Self-Managed Superannuation Funds*

We are writing to recommend the revision of Guidance Statement GS 009 and request that the AUASB include that revision on its work plan for 2019. We understand that GS 009 has been widely used since it was first issued by the AUASB in 2011 and Self-Managed Superannuation Funds (SMSF) auditors would benefit from it remaining up-to-date.

The Guidance Statement was last updated in September 2015, and a number of matters have changed in the intervening time, including amendments to the AUASB's Standards, the Superannuation legislation, the Australian Taxation Office (ATO)'s interpretation of the auditor's obligations and the SMSF's compliance requirements and relevant case law with respect to the auditor's obligations. In addition, challenges experienced by SMSF auditors could be addressed through enhanced guidance. Whilst much of the material in GS 009 will still be relevant and applicable, amendments need to be made to address these matters.

The matters which we consider need to be addressed in revisions to GS 009 include:

1. Revisions to AUASB Standards

Many of the AUASB Standards have been revised since GS 009 was last amended in 2015, so references, approach and terminology need reviewing against the current suite of standards.

2. Independence

Some of the independence examples included in Appendix 5 do not reflect the intent of the Code of Ethics for Professional Accountants and ATO's regulatory approach to independence, including their expectations regarding "reciprocal arrangements" between auditors.

3. Changes to the superannuation legislation

Legislative changes, particularly the changes effective from 1 July 2017, need to be reflected in GS 009 and the audit implications considered.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



charteredaccountantsanz.com

4. New and amended ATO views and interpretations

From time to time the ATO communicates its interpretation of how the SMSF and their auditor should meet their obligations. The guidance statement needs to be consistent with the ATO's expressed views.

5. Reports on Controls at Service Organisations

Clarification is needed on the difference and appropriate use of ASAE 3402 Type 1 and 2 reports on Controls at Service Organisations and when those reports can enable reliance on material data feeds could assist auditors.

6. Investment strategy and valuations

Clarification is needed of the nature and extent of work necessary with respect to the SMSF's investment strategy and asset values, particularly in light of the recent court decisions in *Cam & Bear Pty Ltd v. McGoldrick* [2018] NSWCA 110 and *Ryan Wealth Holdings Pty Ltd v. Baumgartner* [2018] NSWSC 1502.

7. Documentation

Highlight the documentation requirements to support the work done in the audit.

We note that the ATO led *SMSF Auditor Professional Association Stakeholder Group*, with whom AUASB technical staff have already met, would be an invaluable source of expertise to advise on any update of GS 009.

We would be happy to discuss the need for revisions to GS 009 as well as provide greater detail regarding the specific amendments we are recommending. Should you wish to discuss further please contact Claire Grayston, Policy Adviser – Audit & Assurance at CPA Australia on claire.grayston@cpaaustralia.com.au or Tony Negline, Superannuation Leader on tony.negline@charteredaccountantsanz.com.

Yours sincerely



Gary Pflugrath
Head of Policy and Advocacy
CPA Australia



Simon Grant FCA
Group Executive - Advocacy, Professional Standing
& International Development
Chartered Accountants Australia & New Zealand

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



charteredaccountantsanz.com



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **9**

Meeting Date: 16 April 2019

Subject: Public Sector Audit Issues PAG Update

Date Prepared: 9 April 2019

Prepared By: Matthew Zappulla

Action Required

For Information Purposes Only

Agenda Item Objectives

1. Report to AUASB on the progress of the Public Sector Audit Issues Project Advisory Group (PAG).

Background

1. The AUASB approved the Strategic Project Plan focusing on Public Sector Audit Issues at its April 2018 meeting.
2. Following a period of scoping and consultation with relevant stakeholders, including representatives from the Australasian Council of Auditors-General (ACAG) the terms of reference and project plan for the Public Sector Audit Issues PAG were developed and finalised in the second half of 2018.
3. An invitation to nominate representatives to the PAG was communicated to ACAG and each Australian Auditor-General in December 2018. The members of the PAG were confirmed and approved by the AUASB Chair in February 2019.
4. The PAG held its first meeting on 7 March 2019 and has subsequently held a further meeting on 1 April 2019, with monthly meetings planned to progress the objectives of the PAG over the rest of 2019.

Matters to Consider

1. The Public Sector Audit Issues PAG Terms of Reference and Membership were confirmed by the PAG Chair, Julie Crisp (NT Auditor-General and AUASB Member) at the first PAG meeting on 7 March 2019. The PAG membership is a very highly experienced and motivated group of public sector auditors, most of which already have good relationships with the AUASB. PAG Members are:

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.

- Ms Julie Crisp (Chair) – Northern Territory Auditor-General & AUASB member
 - Mr Chris Clayton – Audit Office of New South Wales
 - Mr Don Cunninghame – Office of the Auditor General for Western Australian
 - Ms Karen Johnson – Queensland Audit Office
 - Ms Jane Meade – Australian National Audit Office
 - Ms Rosario S. Miguel – ACT Audit Office
 - Ms Tanya Sexton – Auditor-General’s Department South Australia
 - Ms Roberta Skliros – Victorian Auditor-General’s Office
 - Mr Jeff Tongs – Tasmanian Audit Office
2. PAG members are being supported by the AUASB Technical Director and AUASB staff Tim Austin and Jean You.
 3. The first PAG meeting covered the scope and objective of the PAG, with members asked to reaffirm that the Terms of Reference were still appropriate and consistent with ACAG’s needs by addressing the following three topics as they relate to public sector audits:
 - (a) Terms of Engagement – ASA 210
 - (b) Engagement Leader responsibilities – ASA 220
 - (c) Going Concern – ASA 270
 4. The AUASB Technical Group (ATG) also provided an update to the PAG members on the progress of other international auditing standards and projects relevant to the public sector.
 5. Following the first PAG meeting the PAG Chair requested the AUASB Technical Group prepare a paper for the PAG outlining the different options for the PAG to consider as outputs from the project under the AUASB’s mandate for the next PAG meeting. This was so PAG members can better understand which option may apply to each Public Sector Audit Issue that is part of the project scope. The possible options were categorised as::
 - (a) AUASB approved pronouncements (Standards, Guidance Statements);
 - (b) Other AUASB publications (Bulletins, FAQs); and
 - (c) Specific public-sector auditor guidance.
 6. At the second PAG meeting on 1 April 2019 the PAG discussed this options paper, which highlighted a number of different views across PAG members about the preferred response to each topic. Following this meeting the ATG are surveying all PAG members for their preferred options, to build consensus and develop a more defined project plan for the PAG’s activities.
 7. The next Public Sector Audit Issues PAG meeting will be held in the first week of May 2019.

Material Presented

Agenda Item 9

AUASB Board Meeting Summary Paper



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 10

Meeting Date: 16 April 2019
Subject: AUASB Draft Forward Agenda
Date Prepared: 2 April 2019
Prepared By: Tim Austin

The below table sets out the expected timing of when the AUASB's projects and other matters will be discussed at AUASB meetings for all planned dates until the end of 2019. As projects progress and circumstances change, further amendments to the below table will be required. Items highlighted are expected to require a larger allocation of agenda time and/or relate to critical decisions for the AUASB.

Meeting month # of days	2019			To be allocated
	Jun 2	Sep 1	Dec 2	
AUASB Pronouncements				
ASA 540 Implementation	✓	✓		
Guidance Statements Revision Plan	✓			
GS 005 <i>Using the Work of a Management's Experts</i>	✓			
GS 009 <i>Auditing Self-Managed Super Funds</i>	✓			
GS 012 <i>Prudential Reporting</i>	✓			
ASAE 3450				✓
Guidance on Review Engagements				✓
ASRE 2410 <i>Review Engagements</i>	✓			
Quality Management EDs – Aus activities	✓			
International Projects (Review of International Papers)				
ISA 315	✓	✓	✓#	
ISQM 1		✓	✓	
ISQM 2		✓	✓	
ISA 220		✓	✓	
ISA 600	✓	✓	✓#	
ISRS 4400 – AUP	✓		✓#	
Emerging forms of External Reporting	✓	✓	✓#	
Auditor Reporting PIR	✓	✓	✓	
ISA 540 Implementation	✓	✓	✓	
Auditing Less Complex Entities	✓	✓	✓	
Audit Evidence	✓	✓	✓	
Professional Scepticism	✓	✓	✓	
IESBA Coordination (new code)		✓		
IAASB Strategy		✓	✓	
Monitoring Group				✓
NSS Collaboration	✓	✓	✓	
Report on IAASB Meetings		✓	✓	
AUASB Strategic Projects				
Audit Quality (including current issues)	✓	✓	✓	
Use of Technology in the audit	✓	✓	✓	

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.

Meeting month # of days	2019			To be allocated
	Jun 2	Sep 1	Dec 2	
AUASB Strategic Projects (continued)				
Auditor Reporting PIR	✓	✓	✓	
Reporting and Assurance Frameworks				✓
Auditing Less Complex Entities	✓	✓		
EER	✓	✓	✓	
Public Sector	✓	✓	✓	
Other AUASB Priorities				
Evidence Informed Standard-Setting Strategy	✓			
Other Assurance Frameworks Bulletin	✓			
AASB Chair Update				✓
AUASB Technical work plan update		✓	✓	
Guest Presentations			✓	
AUASB Standards due process				✓
Restructured APES Code Amendment		✓**		
Joint AUASB/AASB session	✓			
Joint AUASB/NZAuASB session				✓
Corporate Reporting				
FRC Reporting		✓	✓	
AASB-AUASB Annual Report		✓	✓	
AASB-AUASB Corporate Plan		✓		

Notes:

* Anticipated finalisation of Australian Exposure Draft

** Anticipated finalisation of Australian Pronouncement

Consideration of IAASB fatal flaw (standard or exposure draft)

^ Consideration of IAASB Consultation Paper

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.

APPENDIX 1 – SUPPORTING INFORMATION

IAASB Forward Agenda International Standard key dates

Standard	Meeting	Outcome
ISA 315	Dec 2019	Anticipated finalisation of Standard
ISQM 1	Mar 2020	Anticipated finalisation of Standard
ISQM 2	Mar 2020	Anticipated finalisation of Standard
ISA 220	Mar 2020	Anticipated finalisation of Standard
ISA 600	Dec 2019	Anticipated finalisation of Exposure Draft
	Mar 2021	Anticipated finalisation of Standard
AUP	Dec 2019	Anticipated finalisation of Standard
LCE	Apr/May 2019	Anticipated finalisation of Consultation Document
EER	Dec 2019	Anticipated finalisation of Exposure Draft
	Sep 2020	Anticipated finalisation of Pronouncement

AUASB/IAASB Meeting timing

AUASB Meeting	IAASB Meeting
16 Apr 19	
12-13 Jun 19	17 Jun 19
11 Sep 19	16 Sep 19
3-4 Dec 19	9 Dec 19

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.