



[Aus] Illustration 14: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

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

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

## INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

### Opinion

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



In our opinion, the accompanying financial ~~statements report~~ of ~~the ABC Company for the year ended December 31, 20X1~~ are prepared, in all material respects, ~~is~~ in accordance with the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between the Company and DEF Company (“the contract”), ~~Corporations Act 2001, including:- [Opinion section positioned first as required in ISA 700 (Revised)]~~

- (a) ~~giving a true and fair view of the company’s financial position as at 31 December 20X1 and of its performance for the year then ended; and~~
- (b) ~~complying with Australian Accounting Standards to the extent described in Note X, and the Corporations Regulations 2001.~~

### **Basis for Opinion**

We conducted our audit in accordance with ~~International Standards on Auditing (ISAs) Australian Auditing Standards~~. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements Report* section of our report. We are independent of the Company in accordance with the ~~ethical requirements that are relevant to our audit of the financial statements in [jurisdiction]~~ auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board’s *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. ~~W], and we have also fulfilled our other ethical responsibilities in accordance with these requirements/the Code.~~

~~We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor’s report<sup>1</sup>.~~

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. ~~[The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ISA 700 (Revised).]~~

### **Emphasis of Matter – Basis of Accounting ~~and Restriction on Distribution and Use~~**

~~Without modifying our opinion, w~~We draw attention to Note X to the financial ~~statements report~~, which describes the basis of accounting. The financial ~~statements arereport~~ has been prepared for the purpose of fulfilling the directors’ financial reporting responsibilities under the *Corporations Act 2001* prepared to assist ABC the Company to comply in complying with the financial reporting provisions of the contract referred to above. As a result, the financial ~~statements report~~ may not be suitable for another purpose. ~~Our report is intended solely for ABC the Company and DEF Company and should not be distributed to or used by parties other than ABC the Company or DEF Company.~~ Our opinion is not modified in respect of this matter.

### **Responsibilities of ~~Management and Those Charged with Governance~~the Directors for the Financial Statements<sup>2</sup>Report**

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

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

<sup>1</sup> Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor’s report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

<sup>2</sup> Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.



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

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

### **Auditor's Responsibilities for the Audit of the Financial Statements Report**

~~Our responsibility is to express an on opinion on these financial statements based on our audit.~~ Our objectives are to obtain reasonable assurance about whether the financial ~~report~~statements as a whole ~~are~~is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ~~ISAs~~the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of ~~these~~this financial ~~statements~~report.

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



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

Paragraph 41(c) of [ISA-ASA 700](#) (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. [When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx> \(Ref: Para. Aus A57.1\)](#)

As part of an audit in accordance with [ISAs, the Australian Auditing Standards](#), we exercise professional judgment and maintain professional ~~skepticism~~ [scepticism](#) throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial ~~statements~~ [report](#), whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.<sup>3</sup>
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by ~~management~~ [the directors](#).
- [Conclude on the appropriateness of ~~management's~~ \[the directors'\]\(#\) use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial ~~statements~~ \[report\]\(#\) or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.](#)

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

[We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.](#)

[\[Auditor's name and signature\]](#)<sup>4</sup>

[\[Name of Firm\]](#)

[\[Date of the auditor's report\]](#)

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction\]](#)

[\[Auditor's address\] \[~~Placement of date and address reversed~~\]](#)

<sup>3</sup> [This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.](#)

<sup>4</sup> [The auditor is required, under the \*Corporations Act 2001\*, to sign the auditor's report in both their own name and the name of their firm \[section 324AB\(3\)\] or the name of the audit company \[section 324AD\(1\)\], as applicable.](#)