

EXPOSURE DRAFT

ED 1/09
(February 2009)

Proposed Auditing Standard
ASA 700
Forming an Opinion and
Reporting on a Financial
Report (Revised and
Redrafted)
(Re-issuance of ASA 700)

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

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Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 31 March 2009. Comments should be addressed to:

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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. Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until no later than 31 March 2009 by contacting:

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PREFACE

Reasons for Issuing ED 1/09

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board 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 Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has undertaken a programme to redraft, in “clarity” format, the entire suite of International Standards on Auditing (ISAs). In some cases, and in accordance with normal practice, the ISAs have been revised in addition to being redrafted. The redrafted ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2009.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

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Main Proposals

This proposed Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding the auditor's responsibility to form an opinion on the financial statements report. It also deals with the form and content of the auditor's report issued as a result of an audit of the financial statements report.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2010.

Main changes from existing ASA 700 *The Auditor's Report on a General Purpose Financial Report (April 2006)*

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 700 *The Auditor's Report on a General Purpose Financial Report (April 2006 as amended)*, are included in the Tables of Differences provided as an attachment to this Exposure Draft.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard ASA 700, *The Auditor's Report on a General Purpose Financial Report* by no later than 31 March 2009. The AUASB is seeking comments on the main changes from the existing ASA 700. In addition, respondents are asked to consider and respond to the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with

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the main changes to the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

5. 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 main changes to the Requirements of this proposed Auditing Standard are 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 Auditing Standard.

AUASB Information Note

The IAASB's "Clarity" project is not yet complete, and accordingly there is a possibility that the equivalent underlying ISA standard to this Exposure Draft will include conforming amendments arising from standards not yet approved by the IAASB. While all currently known conforming amendments are incorporated into this Exposure Draft, readers are advised that the AUASB may decide to make further conforming amendments, in line with those of the IAASB.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Revised and Redrafted) pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA [100 *Preamble to AUASB Standards*](#), which sets out the intentions of the AUASB on how the Australian Auditing Standards are to be understood, interpreted and applied.

AUDITING STANDARD ASA 700

Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted)

Application

Aus 0.1 This Auditing Standard applies to:

- (a) an audit of a financial report or a single financial statement for a financial year, or an audit of a financial report for a half-year, in accordance with ~~Part 2M.3 of the Corporations Act 2001~~; and
- (b) an audit of a financial report or a complete set of financial statements for any other purpose.

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

Operative Date

Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

Introduction

Scope of this ASA

1. This Auditing Standard deals with the auditor's responsibility to form an opinion on the financial ~~statements~~report. It also deals with the form and content of the auditor's report issued as a result of an audit of a financial statements~~report~~.
2. ~~ISA~~ASA 705 (Revised and Redrafted)¹ and ~~ISA~~ASA 706 (Revised and Redrafted)² deal with how the form and content of the auditor's report are affected when the auditor expresses a modified opinion or includes an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report.

¹ ~~See A~~SA 705 (Revised and Redrafted); ~~“Modifications to the Opinion in the Independent Auditor's Report.”~~

² ~~See A~~SA 706 (Revised and Redrafted); ~~“Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report.”~~

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3. This ~~Auditing Standard ISA~~ is written in the context of a ~~complete set of~~ general purpose financial ~~statements~~report. ~~ISA~~ASA 800 (Revised and Redrafted)³ deals with special considerations when a financial ~~statements-report are-is~~ prepared in accordance with a special purpose framework. ~~ISA~~ASA 805 (Revised and Redrafted)⁴ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
4. This ~~Auditing Standard~~ISA promotes consistency in the auditor's report. Consistency in the auditor's report, when the audit has been conducted in accordance with ~~the Australian Auditing Standards, which use the ISAs as the underlying auditing standards, ISAs,~~ promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognised standards. It also helps to promote the user's understanding and to identify unusual circumstances when they occur.

Effective Date

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

Objectives

6. The objectives of the auditor are to:
- (a) Form an opinion on the financial ~~statements-report~~ based on an evaluation of the conclusions drawn from the audit evidence obtained; and
 - (b) Express clearly that opinion through a written report that also describes the basis for the opinion.

Definitions

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

³ ~~See A~~SA 800 (Revised and Redrafted); ~~“Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks.”~~²

⁴ ~~See A~~SA 805 (Revised and Redrafted); ~~“Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement.”~~²

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- (a) General purpose financial ~~statements report~~ —means a ~~financial statements report~~ prepared in accordance with a general purpose framework.
- (b) General purpose framework —means a ~~A~~ financial reporting framework designed to meet the common financial information needs of a wide range of users. 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 the financial ~~statements 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 ~~statements 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.⁵

- (c) Unmodified opinion —means ~~t~~he opinion expressed by the auditor when the auditor concludes that the financial ~~statements report are is~~ prepared, in all material respects, in accordance with the applicable financial reporting framework.⁶

⁵ See AISA 200 (Revised and Redrafted); ⁴Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with ~~International Australian Auditing Standards on Auditing~~; paragraph 13(a).

⁶ Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

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8. Reference to “a financial ~~statementsreport~~” in this Auditing Standard~~ISA~~ means “a complete set of general purpose 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 ~~statementsreport~~, and what constitutes a ~~complete set of financial statementsreport~~.
9. Reference to “International Financial Reporting Standards” in this ISA means the International Financial Reporting Standards issued by the International Accounting Standards Board, and reference to “International Public Sector Accounting Standards” means the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board.

Requirements

Forming an Opinion on the Financial StatementsReport

10. The auditor shall form an opinion on whether the financial ~~statements-report are-is~~ prepared, in all material respects, in accordance with the applicable financial reporting framework.⁷⁸
11. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial ~~statementsreport~~ as a whole ~~are-is~~ free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
- (a) The auditor’s conclusion, in accordance with ISAASA 330 (Revised and Redrafted), whether sufficient appropriate audit evidence has been obtained;⁹
 - (b) The auditor’s conclusion, in accordance with ISAASA 450 (Revised and Redrafted), whether uncorrected

⁷ See A+SA 200 (Revised and Redrafted), paragraph 11.

⁸ Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

⁹ See A+SA 330 (Revised and Redrafted); ²²*The Auditor’s Responses to Assessed Risks*,²² paragraph 27.

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misstatements are material, individually or in aggregate;¹⁰
and

(c) The evaluations required by paragraphs 12-15.

12. The auditor shall evaluate whether the financial ~~statementsreport are~~ is prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgments. (Ref: Para. A1-A3)

13. In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework:

(a) The financial ~~statementsreport~~ adequately discloses the significant accounting policies selected and applied;

(b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;

(c) The accounting estimates made by management are reasonable;

(d) The information presented in the financial ~~statementsreport~~ is relevant, reliable, comparable and understandable;

(e) The financial ~~statementsreport~~ provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial ~~statementsreport~~; and (Ref: Para. A4)

(f) The terminology used in the financial ~~statementsreport~~, including the title of each financial statement, is appropriate.

14. When the financial ~~statementsreport are is~~ prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12-13 shall also include whether the financial

¹⁰ See [ASA 450 \(Revised and Redrafted\)](#), *Evaluation of Misstatements Identified during the Audit*,²² paragraph 11.

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~~statementsreport~~ achieves fair presentation. The auditor's evaluation as to whether the financial ~~statementsreport~~ achieves fair presentation shall include consideration of:

- (a) The overall presentation, structure and content of the financial ~~statementsreport~~; and
- (b) Whether the financial ~~statementsreport~~, including the related notes, represents the underlying transactions and events in a manner that achieves fair presentation.

15. The auditor shall evaluate whether the financial ~~statementsreport~~ adequately refers to or describes the applicable financial reporting framework. (Ref: Para. A5-A10)

Form of Opinion

16. The auditor shall express an unmodified opinion when the auditor concludes that the financial ~~statementsreport are-is~~ prepared, in all material respects, in accordance with the applicable financial reporting framework.

17. If the auditor:

- (a) concludes that, based on the audit evidence obtained, the financial ~~statementsreport~~ as a whole ~~are-is~~ not free from material misstatement; or
- (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial ~~statementsreport~~ as a whole ~~are is~~ free from material misstatement,

the auditor shall modify the opinion in the auditor's report in accordance with ~~ISA~~ASA 705 (Revised and Redrafted).

18. If ~~the~~ financial ~~statements-report~~ prepared in accordance with the requirements of a fair presentation framework ~~does~~ not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor's report in accordance with ~~ISA~~ASA 705 (Revised and Redrafted). (Ref: Para. A11)

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19. When the financial ~~statements~~~~report are-is~~ prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial ~~statements~~~~report~~ achieves fair presentation. However, if in extremely rare circumstances the auditor concludes that such financial ~~statements~~~~report are-is~~ misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report. (Ref: Para. A12)

Auditor's Report

20. The auditor's report shall be in writing. (Ref: Para. A13-A14)

Auditor's Report for Audits Conducted in Accordance with ~~International Standards on Australian Auditing Standards~~

Title

21. The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A15)

Addressee

22. The auditor's report shall be addressed as required by the circumstances of the engagement. (Ref: Para. A16)

Introductory Paragraph

23. The introductory paragraph in the auditor's report shall: (Ref: Para. A17-A19)
- (a) Identify the entity whose financial ~~statements~~~~report~~ has~~ve~~ been audited;
 - (b) State that the financial ~~statements~~~~report~~ has~~ve~~ been audited;
 - (c) Identify the title of each statement that comprises the financial ~~statements~~~~report~~;
 - (d) Refer to the summary of significant accounting policies and other explanatory information; and
 - (e) Specify the date or period covered by each financial statement comprising the financial ~~statements~~~~report~~.

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Management's Responsibility for the Financial ~~Statements~~Report

24. This section of the auditor's report describes the responsibilities of those in the organization ~~that who~~ are responsible for the preparation of the financial ~~statements~~report. The auditor's report need not refer specifically to "management," but shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference may be to those charged with governance.
25. The auditor's report shall include a section with the heading "Management's [or other appropriate term] Responsibility for the Financial ~~Statements~~Report."
26. The auditor's report shall describe management's responsibility for the preparation of the financial ~~statements~~report in the manner in which that responsibility is described in the terms of the audit engagement. The description shall include an explanation that management is responsible for the preparation of the financial ~~statements~~report in accordance with the applicable financial reporting framework; this responsibility includes the ~~establishment design, implementation~~ and maintenance of internal control relevant to the preparation of ~~the~~ financial ~~statements~~report that ~~are-is~~ free from material misstatement, whether due to fraud or error. (Ref: Para. A20- A22)
27. Where the financial ~~statements~~report are-is prepared in accordance with a fair presentation framework, the explanation of management's responsibility for the financial ~~statements~~report in the auditor's report shall refer to "the preparation and fair presentation of ~~the~~ financial ~~statements~~report" or "the preparation of ~~the~~ financial ~~statements~~report that gives a true and fair view," as appropriate in the circumstances.

Auditor's Responsibility

28. The auditor's report shall include a section with the heading "Auditor's Responsibility."
29. The auditor's report shall state that the responsibility of the auditor is to express an opinion on the financial ~~statements~~report based on the audit. (Ref: Para. A23)

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30. The auditor's report shall state that the audit was conducted in accordance with ~~International Standards on Australian~~ International Standards on Auditing Standards. The auditor's report shall also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial ~~statements report are-is~~ free from material misstatement. (Ref: Para. A24-A25)
31. The auditor's report shall describe an audit by stating that:
- (a) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial ~~statements report~~;
 - (b) The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial ~~statements report~~, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial ~~statements report~~ in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial ~~statements report~~, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and
 - (c) An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial ~~statements report~~.
32. Where the financial ~~statements report are-is~~ prepared in accordance with a fair presentation framework, the description of the audit in the auditor's report shall refer to "the entity's preparation and fair presentation of the financial ~~statements report~~" or "the entity's preparation of the financial statements report that gives a true and fair view," as appropriate in the circumstances.

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33. The auditor's report shall state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

Auditor's Opinion

34. The auditor's report shall include a section with the heading "Opinion."

35. When expressing an unmodified opinion on the financial statements report prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent: (Ref: Para. A26-A32)

- (a) The financial statementsreport presents fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or
- (b) The financial statementsreport gives a true and fair view of ... in accordance with [the applicable financial reporting framework].

36. When expressing an unmodified opinion on the financial statementsreport prepared in accordance with a compliance framework, the auditor's opinion shall be that the financial statementsreport are-is prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A26, A28-A32)

37. If the reference to the applicable financial reporting framework in the auditor's opinion is not to International Financial Reporting Standards issued by the International Accounting Standards Board or International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board, the auditor's opinion shall identify the jurisdiction of origin of the framework.

Aus 37.1 When an entity, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, has included in the notes to the financial statements, an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRSs), and the auditor agrees with the entity's statement of compliance, the

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auditor shall state that in the auditor's opinion, the financial report complies with IFRSs. (Ref: Para. Aus A32.1-Aus A32.2)

Other Reporting Responsibilities

38. If the auditor addresses other reporting responsibilities in the auditor's report on the financial ~~statementsreport~~ that are in addition to the auditor's responsibility under the Australian Auditing Standards ISAs to report on the financial ~~statementsreport~~, these other reporting responsibilities shall be addressed in a separate section in the auditor's report that shall be sub-titled "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. (Ref: Para. A33-A34)
39. If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements and explanations referred to in paragraphs 23-37 shall be under the sub-title "Report on the Financial ~~StatementsReport~~." The "Report on Other Legal and Regulatory Requirements" shall follow the "Report on the Financial ~~StatementsReport~~." (Ref: Para. A35)

Signature of the Auditor

40. The auditor's report shall be signed. (Ref: Para. A36)

Date of the Auditor's Report

41. The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial ~~statementsreport~~, including evidence that: (Ref: Para. A37-A40)
- (a) All the statements that comprise the financial ~~statementsreport~~, including the related notes, have been prepared; and
 - (b) Those with the recognized authority have asserted that they have taken responsibility for the ~~ese~~ financial ~~statementsreport~~.

Auditor's Address

42. The auditor's report shall name the location in the jurisdiction where the auditor practices.

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Auditor's Report Prescribed by Law or Regulation

43. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout or wording of the auditor's report, the auditor's report shall refer to ~~International Australian Auditing Standards on Auditing~~ only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A41)
- (a) A title;
 - (b) An addressee, as required by the circumstances of the engagement;
 - (c) An introductory paragraph that identifies the financial ~~statementsreport~~ audited;
 - (d) A description of the responsibility of management (or other appropriate term, see paragraph 24) for the preparation of the financial ~~statementsreport~~;
 - (e) A description of the auditor's responsibility to express an opinion on the financial ~~statementsreport~~ and the scope of the audit, that includes:
 - A reference to ~~Australian Auditing International Standards on Auditing~~ and the law or regulation; and
 - A description of an audit in accordance with those standards;
 - (f) An opinion paragraph containing an expression of opinion on the financial ~~statementsreport~~ and a reference to the applicable financial reporting framework used to prepare the financial ~~statementsreport~~ (including identifying the jurisdiction of origin of the financial reporting framework that is not ~~International Financial Reporting Australian Accounting Standards and/or relevant legislation or regulation International Public Sector Accounting Standards, see paragraph 37~~);
 - (g) The auditor's signature;

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- (h) The date of the auditor's report; and
- (i) The auditor's address.

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and International Standards on Auditing

44. An auditor may be required to conduct an audit in accordance with the auditing standards of a specific jurisdiction (the "national auditing standards"), but may additionally have complied with the ISAs in the conduct of the audit. If this is the case, the auditor's report may refer to International Standards on Auditing in addition to the national auditing standards, but the auditor shall do so only if:
(Ref: Para. A42-A43)

- (a) There is no conflict between the requirements in the national auditing standards and those in ISAs that would lead the auditor (i) to form a different opinion, or (ii) not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by ISAs; and
- (b) The auditor's report includes, at a minimum, each of the elements set out in paragraph 43(a)-(i) when the auditor uses the layout or wording specified by the national auditing standards. Reference to law or regulation in paragraph 43(e) shall be read as reference to the national auditing standards. The auditor's report shall thereby identify such national auditing standards.

45. When the auditor's report refers to both the national auditing standards and International Standards on Auditing, the auditor's report shall identify the jurisdiction of origin of the national auditing standards.

Supplementary Information Presented with the Financial ~~Statements~~ Report (Ref: Para. A44-A50)

46. If supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial ~~statements~~report, the auditor shall evaluate whether such supplementary information is clearly differentiated from the audited financial ~~statements~~report. If such supplementary information is not clearly differentiated from the audited financial ~~statements~~report, the auditor shall ask management to change how the unaudited

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supplementary information is presented. If management refuses to do so, the auditor shall explain in the auditor's report that such supplementary information has not been audited.

47. Supplementary information that is not required by the applicable financial reporting framework but is nevertheless an integral part of the financial ~~statements~~report because it cannot be clearly differentiated from the audited financial ~~statements~~report due to its nature and how it is presented shall be covered by the auditor's opinion.

* * *

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Application and Other Explanatory Material

Qualitative Aspects of the Entity's Accounting Practices (Ref: Para. 12)

- A1. Management makes a number of judgments about the amounts and disclosures in the financial ~~statements~~report.
- A2. ~~ISA~~ASA 260 (Revised and Redrafted) contains a discussion of the qualitative aspects of accounting practices.¹¹ In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial ~~statements~~report as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial ~~statements~~report as a whole ~~are~~is materially misstated include the following:
- The selective correction of misstatements brought to management's attention during the audit (e.g., correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).
 - Possible management bias in the making of accounting estimates.
- A3. ~~ISA~~ASA 540 (Revised and Redrafted) addresses possible management bias in making accounting estimates.¹² Indicators of possible management bias do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor's evaluation of whether the financial ~~statements~~report as a whole ~~are~~is free from material misstatement.

Disclosure of the Effect of Material Transactions and Events on the Information Conveyed in the Financial ~~Statements~~Report (Ref: Para. 13(e))

¹¹ ~~See~~ ASA 260 (Revised and Redrafted); ⁴*Communication with Those Charged with Governance*; ² Appendix 2.

¹² ~~See~~ ASA 540 (Revised and Redrafted); ⁴*Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*; ² paragraph 21.

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- A4. It is common for a financial ~~statementsreport~~ prepared in accordance with a general purpose framework to present an entity's financial position, financial performance and cash flows. In such circumstances, the auditor evaluates whether the financial ~~statementsreport~~ provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, financial performance and cash flows.

Description of the Applicable Financial Reporting Framework (Ref: Para. 15)

- A5. As explained in ~~ISAASA~~ 200 (Revised and Redrafted), management and, where appropriate, those charged with governance have responsibility for the preparation of the financial ~~statementsreport~~ in accordance with the applicable financial reporting framework and for an adequate description of that framework in the financial ~~statementsreport~~.¹³ That description is important because it advises users of the financial ~~statementsreport~~ of the framework on which the financial ~~statementsreport are-is~~ based.
- A6. A description that the financial ~~statementsreport are-is~~ prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial ~~statementsreport~~ complies with all the requirements of that framework that ~~are-is~~ effective during the period covered by the financial ~~statementsreport~~.
- A7. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (e.g., "the financial ~~statements-report are-is~~ in substantial compliance with ~~International Financial Reporting Australian Accounting Standards (including the Australian Accounting Interpretations)~~") is not an adequate description of that framework as it may mislead users of the financial ~~statementsreport~~.

Reference to More than One Financial Reporting Framework

- A8. In some cases, the financial ~~statementsreport~~ may represent that ~~they it is are~~ prepared in accordance with two financial reporting frameworks (e.g., the national framework and International Financial Reporting Standards). This may be because management is required, or has chosen, to prepare the financial ~~statementsreport~~ in

¹³ See ~~A4~~SA 200 (Revised and Redrafted), paragraphs A2-A3.

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accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial ~~statementsreport~~ ~~complies~~ with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial ~~statementsreport~~ ~~needs~~ to comply with both frameworks simultaneously and without any need for reconciling statements. In practice, simultaneous compliance is unlikely unless the jurisdiction has adopted the other framework (e.g., International Financial Reporting Standards) as its own national framework, or has eliminated all barriers to compliance with it.

A9. ~~A~~ Financial ~~statementsreport~~ that ~~are-is~~ prepared in accordance with one financial reporting framework and that contains a note or supplementary statement reconciling the results to those that would be shown under another framework, are not prepared in accordance with that other framework. This is because the financial ~~statementsreport~~ ~~does~~ not include all the information in the manner required by that other framework.

A10. The financial ~~statementsreport~~ may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial ~~statementsreport~~ ~~complies~~ with another framework (e.g., a financial ~~statementsreport~~ prepared in accordance with the national framework that also describes the extent to which ~~they-it~~ ~~complies~~ with International Financial Reporting Standards). Such description is supplementary financial information and, as discussed in paragraph 47, is considered an integral part of the financial ~~statementsreport~~ and, accordingly, is covered by the auditor's opinion.

Form of Opinion (Ref: Para. 18-19)

A11. There may be cases where the financial ~~statementsreport~~, although prepared in accordance with the requirements of a fair presentation framework, ~~does~~ not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial ~~statementsreport~~ beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial ~~statementsreport~~.

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A12. It will be extremely rare for the auditor to consider a financial statements-report that are-is prepared in accordance with a compliance framework to be misleading if, in accordance with ISA/ASA 210 (Revised and Redrafted), the auditor determined that the framework is acceptable.¹⁴

Auditor's Report (Ref: Para. 20)

A13. A written report encompasses reports issued in hard copy format and those using an electronic medium.

A14. The Appendix contains illustrations of auditors' reports on financial statements-reports, incorporating the elements set forth in paragraphs 21-42.

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

Title (Ref: Para. 21)

A15. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others.

Addressee (Ref: Para. 22)

A16. Law or regulation often specifies to whom the auditor's report is to be addressed in that particular jurisdiction. The auditor's report is normally addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial statements-report are-is being audited.

Introductory Paragraph (Ref: Para. 23)

A17. The introductory paragraph states, for example, that the auditor has audited the accompanying financial statements-report of the entity, which comprise [state the title of each financial statement comprising the complete set of financial statements-report required by the applicable financial reporting framework, specifying the date

¹⁴ See ISA 210 (Revised and Redrafted), "Agreeing the Terms of Audit Engagements," paragraph [to be inserted].

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or period covered by each financial statement] and referring to the summary of significant accounting policies and other explanatory information.

- A18. When the auditor is aware that the audited financial ~~statements~~report will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial ~~statements~~report are ~~is~~ presented. This helps users to identify the financial ~~statements~~report to which the auditor's report relates.
- A19. The auditor's opinion covers the ~~complete set of~~ financial ~~statements~~report as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial ~~statements~~report includes: a ~~balance sheet~~statement of financial position, a ~~statement of comprehensive income~~statement, a statement of changes in equity, a ~~statement of~~ cash flows ~~statement~~, ~~and notes comprising~~ a summary of significant accounting policies and other explanatory information, ~~and an assertion by those responsible for the financial report~~. In some jurisdictions additional information might also be considered to be an integral part of the financial ~~statements~~report.

Management's Responsibility for the Financial ~~Statements~~Report (Ref: Para. 26)

- A20. ~~ISA~~ASA 200 (Revised and Redrafted) explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with ~~Australian Auditing Standards~~ISAs is conducted.¹⁵ Management and, where appropriate, those charged with governance are responsible for the preparation of the financial ~~statements~~report in accordance with the applicable financial reporting framework. For example, in the case of many general purpose frameworks, management is responsible for the preparation of ~~the~~ financial ~~statements~~report that fairly present the financial position, financial performance and cash flows of the entity in accordance with those frameworks. This responsibility includes the ~~design, implementation~~establishment and maintenance of internal control relevant to the preparation of ~~the~~ financial ~~statements~~report that ~~are~~ ~~is~~ free from material misstatement, whether due to fraud or error. In some jurisdictions, law or regulation prescribing management's

¹⁵ See ~~A~~ASA 200 (Revised and Redrafted), paragraph 13(j).

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responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in [ISA/ASA 315 \(Revised and Redrafted\)](#)¹⁶) no specific reference is made to them in paragraph 26 for the description of management's responsibilities.

- A21. There may be circumstances when it is appropriate for the auditor to add to the description of management's responsibility in paragraph 26 to reflect additional responsibilities that are relevant to the preparation of the financial [statementsreport](#) in the context of the particular jurisdiction or the nature of the entity.
- A22. [ISA/ASA 210 \(Revised and Redrafted\)](#) explains that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that are equivalent in effect to those set out in [ISA/ASA 210 \(Revised and Redrafted\)](#). For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. For those that are not prescribed by law or regulation such that their effect is equivalent, the engagement letter or other suitable form of written agreement reflects the description in [ISA/ASA 210 \(Revised and Redrafted\)](#).¹⁷

Auditor's Responsibility (Ref. Para. 29-30)

- A23. The auditor's report states that the auditor's responsibility is to express an opinion on the financial [statementsreport](#) based on the audit in order to contrast it to management's responsibility for the preparation of the financial [statementsreport](#).
- A24. The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards.
- A25. In accordance with [ISA/ASA 200 \(Revised and Redrafted\)](#), the auditor does not represent compliance with [the Australian Auditing StandardsISAs](#) in the auditor's report unless the auditor has

¹⁶ See [A4SA 315 \(Revised and Redrafted\)](#), "[Identifying and Assessing the Risks of Material Misstatements Through Understanding the Entity and Its Environment](#)," paragraph 4(c).

¹⁷ [See A4SA 210 \(Revised and Redrafted\)](#), paragraph [to be inserted].]

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complied with the requirements of ~~ISA~~ASA 200 (Revised and Redrafted) and all other ~~Australian Auditing Standards ISAs~~ relevant to the audit.¹⁸

Auditor's Opinion (Ref: Para. 35-37)

Wording of the auditor's opinion prescribed by law or regulation

A26. ~~ISA~~ASA 210 (~~Revised and Redrafted~~) explains that, in some cases, law or regulation prescribes the wording of the auditor's report (which in particular includes the auditor's opinion) in terms that are significantly different from the requirements of ~~the Australian Auditing Standards ISAs~~. In these circumstances, ~~ISA~~ASA 210 (~~Revised and Redrafted~~) requires the auditor to evaluate:

- (a) Whether users might misunderstand the assurance obtained from the audit of the financial ~~statements~~report and, if so,
- (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, ~~ISA~~ASA 210 (~~Revised and Redrafted~~) requires the auditor not to accept the audit engagement, unless required by law or regulation to do so. In accordance with ~~ISA~~ASA 210 (~~Revised and Redrafted~~), an audit conducted in accordance with such law or regulation does not comply with ~~the Australian Auditing Standards ISAs~~. Accordingly, the auditor does not include any reference in the auditor's report to the audit having been conducted in accordance with ~~Australian Auditing International Standards on Auditing~~.¹⁹

"Present fairly, in all material respects" or "gives a true and fair view"

A27. Whether the phrase "present fairly, in all material respects," or the phrase "gives a true and fair view" is used in any particular jurisdiction is determined by the law or regulation governing the audit of a financial ~~statements~~report in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the requirement in paragraph 14 of this ~~Auditing Standard ISA~~-for

¹⁸ See ~~ISA~~ASA 200 (Revised and Redrafted), paragraph 20.

¹⁹ See ~~ISA~~ASA 210 (~~Revised and Redrafted~~), paragraph [to be inserted].

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the auditor to evaluate the fair presentation of ~~the~~ financial ~~statements~~~~report~~ prepared in accordance with a fair presentation framework.

Description of information that the financial ~~statements~~~~report~~ presents

A28. In the case of ~~a~~ financial ~~statements~~~~report~~ prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial ~~statements~~~~report~~ presents fairly, in all material respects, or gives ~~a~~ true and fair view of the information that the financial ~~statements~~~~report~~ ~~are~~ ~~is~~ designed to present, for example, in the case of many general purpose frameworks, the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended.

Description of the applicable financial reporting framework and how it may affect the auditor's opinion

A29. The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph 14. The applicable financial reporting framework is identified in such terms as:

“... in accordance with ~~International Financial Reporting~~~~Australian Accounting~~ Standards ~~(including the Australian Accounting Interpretations)~~” or

“... in accordance with accounting principles generally accepted in Jurisdiction X ...”

A30. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as “... in accordance with ~~Australian Accounting~~~~International Financial Reporting~~ Standards and the requirements of ~~Jurisdiction X the Corporations Act 2001.~~” ~~ISA~~~~ASA~~ 210 (~~Revised and Redrafted~~) deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.²⁰

²⁰ ~~f~~See ~~A~~ISA 210 (~~Revised and Redrafted~~), paragraph [to be inserted].]

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- A31. As indicated in paragraph A8, the financial ~~statements~~report may be prepared in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor's opinion on the financial ~~statements~~report, and the auditor's opinion in accordance with paragraphs 35-36 refers to both frameworks as follows:
- (a) If the financial ~~statements~~report compl~~ies~~y with each of the frameworks individually, two opinions are expressed: that is, that the financial ~~statements~~report ~~are is~~ prepared in accordance with one of the applicable financial reporting frameworks (e.g., the national framework) and an opinion that the financial ~~statements~~report ~~are is~~ prepared in accordance with the other applicable financial reporting framework (e.g., International Financial Reporting Standards). These opinions may be expressed separately or in a single sentence (e.g., the financial ~~statements~~report ~~are is~~ presented fairly, in all material respects, in accordance with accounting principles generally accepted in Jurisdiction X and with International Financial Reporting Standards).
 - (b) If the financial ~~statements~~report compl~~ies~~y with one of the frameworks but fail to comply with the other framework, an unmodified opinion can be given that the financial ~~statements~~report ~~are is~~ prepared in accordance with the one framework (e.g., the national framework) but a modified opinion given with regard to the other framework (e.g., International Financial Reporting Standards) in accordance with ~~ISA~~ASA 705 (Revised and Redrafted).
- A32. As indicated in paragraph A10, the financial ~~statements~~report may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework. As explained in paragraph A45, such supplementary information is covered by the auditor's opinion as it cannot be clearly differentiated from the financial ~~statements~~report.
- (a) If the disclosure as to the compliance with the other framework is misleading, a modified opinion is expressed in accordance with ~~A~~ISA 705 (Revised and Redrafted).

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- (b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users' understanding of the financial **statementsreport**, an Emphasis of Matter paragraph is added in accordance with **ISAASA 706 (Revised and Redrafted)**, drawing attention to the disclosure.

Aus A32.1 With respect to the Requirement in paragraph Aus 37.1, Appendix 1 to this Auditing Standard provides illustrations of an auditor's opinions—see Illustration 1A: Unmodified Auditor's Report Prepared under the Corporations Act 2001—Single Corporate Entity; and Example 3A: Unmodified Auditor's Report Prepared under the Corporations Act 2001 – Consolidated Entity.

Aus A32.2 Auditing Standard ASA 705 Modifications to the Opinion in the Independent Auditor's Report provides Requirements and guidance when the auditor disagrees with those charged with governance in relation to compliance with the requirements of accounting standards, and this applies to, and includes, AASB 101 requirements.

Other Reporting Responsibilities (Ref: Para. 38-39)

A33. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under the **Australian Auditing Standards ISAs** to report on the financial **statementsreport**. For example, the auditor may be asked to report certain matters if they come to the auditor's attention during the course of the audit of the financial **statementsreport**. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records. Auditing standards in the specific jurisdiction often provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.

A34. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial **statementsreport**. In other cases, the auditor may be required or permitted to report on them in a separate report.

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A35. These other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under the [Australian Auditing Standards ISAs](#) to report on the financial [statementsreport](#). Where relevant, this section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s).

Signature of the Auditor (Ref: Para. 40)

A36. The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor's signature, in certain jurisdictions, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognized by the appropriate licensing authority in that jurisdiction.

Date of the Auditor's Report (Ref: Para. 41)

A37. The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in [ISAASA 560 \(Revised and Redrafted\)](#).²¹

A38. Since the auditor's opinion is provided on the financial [statementsreport](#) and the financial [statementsreport are is](#) the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that comprise the financial [statementsreport](#), including the related notes, have been prepared and management has accepted responsibility for them.

A39. In some jurisdictions, the law or regulation identifies the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements that comprise the financial [statementsreport](#), including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial

²¹ See [ASA 560 \(Revised and Redrafted\)](#); ²²*Subsequent Events*,²² paragraphs 10-17.

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~~statementsreport~~. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalising its financial ~~statements-report~~ in view of its management and governance structures is considered in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial ~~statementsreport~~, including the related notes, have been prepared. In some cases, law or regulation identifies the point in the financial ~~statement-reporting~~ process at which the audit is expected to be complete.

- A40. In some jurisdictions, final approval of the financial ~~statementsreport~~ by shareholders is required before the financial ~~statementsreport are~~ ~~is~~ issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial ~~statementsreport~~ for purposes of ~~the Australian Auditing StandardsISAs~~ is the earlier date on which those with the recognis~~ed~~ authority determine that all the statements that comprise the financial ~~statementsreport~~, including the related notes, have been prepared and that those with the recognis~~ed~~ authority have asserted that they have taken responsibility for them.

Auditor's Report Prescribed by Law or Regulation (Ref: Para. 43)

- A41. ~~ISAASA~~ 200 (Revised and Redrafted) explains that the auditor may be required to comply with legal or regulatory requirements in addition to ~~the Australian Auditing Standards ISAs~~.²² Where this is the case, the auditor may be obliged to use a layout or wording in the auditor's report that differs from that described in this ~~Auditing StandardsISA~~. As explained in paragraph 4, consistency in the auditor's report, when the audit has been conducted in accordance with ~~the Australian Auditing StandardsISAs~~, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognis~~ed~~ standards. When the differences between the legal or regulatory requirements and ~~the Australian Auditing StandardsISAs~~ relate only to the layout and wording of the auditor's report and, at a minimum, each of the elements identified in paragraph 43(a)-(i) are included in the auditor's report, the auditor's report may refer to ~~International Australian Auditing Standards-on Auditing~~. Accordingly, in such circumstances the auditor is considered to have

²² See ~~A~~ISA 200 (Revised and Redrafted), paragraph A55.

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complied with the requirements of [the Australian Auditing Standards ISAs](#), even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements. Where specific requirements in a particular jurisdiction do not conflict with [the Australian Auditing Standards ISAs](#), adoption of the layout and wording used in this [Auditing Standard ISA](#) assists users of the auditor's report more readily to recognize the auditor's report as a report on an audit conducted in accordance with [the Australian Auditing Standards ISAs](#). (AISA 210 (Revised and Redrafted) deals with circumstances where law or regulation prescribes the layout or wording of the auditor's report in terms that are significantly different from the requirements of [the Australian Auditing Standards ISAs](#).)

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and [International Standards on Australian Auditing Standards](#) (Ref: Para. 44)

- A42. The auditor may refer in the auditor's report to the audit having been conducted in accordance with both International Standards on Auditing as well as the national auditing standards when, in addition to complying with the relevant national auditing standards, the auditor complies with each of the ISAs relevant to the audit.²³
- A43. A reference to both International Standards on Auditing and the national auditing standards is not appropriate if there is a conflict between the requirements in ISAs and those in the national auditing standards that would lead the auditor to form a different opinion or not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by ISAs. For example, some national auditing standards prohibit the auditor from including an Emphasis of Matter paragraph to highlight a going concern problem, whereas ISA 570 (Redrafted) requires the auditor to add an Emphasis of Matter paragraph in such circumstances.²⁴ In such a case, the auditor's report refers only to the auditing standards (either International Standards on Auditing or the national auditing standards) in accordance with which the auditor's report has been prepared.

²³ See [AISA 200 \(Revised and Redrafted\)](#), paragraph A56.

²⁴ See [ISA 570 \(Redrafted\)](#), "Going Concern," paragraph 19.

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Supplementary Information Presented with the Financial

Statements Report (Ref: Para. 46-47)

- A44. In some circumstances, the entity may be required by law, regulation or standards, or may voluntarily choose, to present together with the financial **statements report** supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.
- A45. The auditor's opinion covers supplementary information that cannot be clearly differentiated from the financial **statements report** because of its nature and how it is presented. For example, this would be the case when the notes to the financial statements include an explanation of the extent to which the financial **statements report** complies with another financial reporting framework. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial **statements report**.
- A46. Supplementary information that is covered by the auditor's opinion does not need to be specifically referred to in the introductory paragraph of the auditor's report when the reference to the notes in the description of the statements that comprise the financial **statements report** in the introductory paragraph is sufficient.
- A47. Law or regulation may not require that the supplementary information be audited, and management may decide not to ask the auditor to include the supplementary information within the scope of the audit of the financial **statements report**.
- A48. The auditor's evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion includes, for example, where that information is presented in relation to the financial **statements report** and any audited supplementary information, and whether it is clearly labeled as "unaudited."
- A49. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by:

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- Removing any cross references from the financial ~~statementsreport~~ to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear.
- Placing the unaudited supplementary information outside of the financial ~~statementsreport~~ or, if that is not possible in the circumstances, at a minimum place the unaudited notes together at the end of the required notes to the financial statements and clearly label them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.

A50. The fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read that information to identify material inconsistencies with the audited financial ~~statementsreport~~. The auditor's responsibilities with respect to unaudited supplementary information are consistent with those described in ~~ISA~~ASA 720 (~~Revised and Redrafted~~).²⁵

²⁵ See ~~A~~ASA 720 (~~Revised and Redrafted~~); ²⁴*The Auditor's Responsibility in Relation to Other Information in Documents Containing ~~the~~ Audited Financial ~~StatementsReport~~.*²

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Conformity with International Standards on Auditing

Except as noted below, this Auditing Standard conforms with International Standard on Auditing ISA 700 *Forming an Opinion and Reporting on Financial Statements* (Redrafted), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

The main difference between this Auditing Standard and ISA 700 is:

- This Auditing Standard includes the following Requirement that is not included as a Requirement in ISA 700:
 - When an entity, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* (IFRSs), and the auditor agrees with the entity’s statement of compliance, the auditor shall state that in the auditor’s opinion, the financial report complies with IFRSs. (Paragraph Aus 37.1)

Compliance with this Auditing Standard enables compliance with ISA 700.

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Appendix 1

(Ref: Para.. A14)

Illustrations of Auditors' Reports on a Financial Statements Report

- Illustration 1: An auditor's report on a financial ~~statementsreport~~ prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (e.g., ~~International Financial Reporting Australian Accounting Standards~~).
- ~~Illustration 1A: An auditor's report on a financial report prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (the Corporations Act 2001)~~
- Illustration 2: An auditor's report on a financial ~~statementsreport~~ prepared in accordance with a compliance framework designed to meet the common financial information needs of a wide range of users.
- Illustration 3: An auditor's report on a consolidated ~~entity's~~ financial ~~statementsreport~~ prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (e.g., ~~International Financial Reporting Standards Australian Accounting Standards~~).
- ~~Illustration 3A: An auditor's report on a consolidated entity's financial report prepared in accordance with a fair presentation framework designed to meet the common financial information needs of a wide range of users (the Corporations Act 2001)~~

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Illustration 1:

Circumstances include the following:

- Audit of a **complete set of financial statements report**.
- The financial **statements report are-is** prepared for a general purpose by management of the entity in accordance with **International Financial Reporting Australian Accounting Standards**.
- The terms of the audit engagement reflect description of management's responsibility for the financial **statements report** in **ISA/ASA 210 (Revised and Redrafted)**.
- In addition to the audit of the financial **statements report**, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements Report²⁶

We have audited the accompanying financial statements report of ABC Company, which comprises the balance sheet statement of financial position as at December 31/30 June, 20X1, and the statement of comprehensive income-statement, statement of changes in equity and statement of cash flows statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

*Management's*²⁷ *Responsibility for the Financial Statements Report*

²⁶ The sub-title "Report on the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements", or other appropriate sub-title, is not applicable.

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

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Management is responsible for the preparation and fair presentation²⁸ of these financial ~~statements-report~~ in accordance with ~~International Financial Reporting-Australian Accounting Standards (including the Australian Accounting Interpretations)~~; this includes the ~~design, implementation establishment~~ and maintenance of internal control relevant to the preparation and fair presentation of ~~the financial statements-report~~ that ~~are-is~~ free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial ~~statements-report~~ based on our audit. We conducted our audit in accordance with ~~International Standards on Australian Auditing Standards~~. Those standards require that we comply with ~~relevant~~ ethical requirements ~~relating to audit engagements~~ and plan and perform the audit to obtain reasonable assurance about whether the financial ~~statements-report are-is~~ free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial ~~statements-report~~. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial ~~statements-report~~, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation²⁹ of the financial ~~statements-report~~ in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³⁰ An audit also includes evaluating the appropriateness of accounting policies used and the

²⁸ Depending on the circumstances, this sentence may read: "Management is responsible for the preparation of ~~the financial statements-report~~ that gives a true and fair view in accordance with ~~[International-relevant Financial Reporting Standards-framework]~~ ..."

²⁹ Depending on the circumstances, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of ~~the financial statements-report~~ that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

³⁰ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 28, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of ~~the financial statements-report~~ that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial ~~statements~~report.

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

Opinion

In our opinion, the financial ~~statements~~report presents fairly, in all material respects, (or gives a true and fair view of) the financial position of ABC Company as at ~~December 31~~30 June, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with ~~International Financial Reporting~~Australian Accounting Standards ~~(including the Australian Accounting Interpretations)~~.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]*

[Date of the auditor's report]

[Auditor's address]

* The auditor's report needs 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.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Illustration 1A:

Circumstances include the following:

- **Audit of a single corporate entity's financial report.**
- **The financial report is prepared for a general purpose by management of the entity in accordance with the requirements of the Corporations Act 2001.**
- **The financial report includes a statement that the financial statements comply with International Financial Reporting Standards (IFRSs).**
- **The terms of the audit engagement reflect description of management's responsibility for the financial report in ASA 210 (Revised and Redrafted).**
- **In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308 (3C) of the Corporations Act 2001. (Ref: paragraphs 38 and 39)**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report*

We have audited the accompanying financial report of [name of entity], which comprises the statement of financial position as at 30 June, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

* The sub-title "Report on the Financial ~~Statements~~Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements", or other appropriate sub-title, is not applicable.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; this includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note XX, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with *International Financial Reporting Standards*.[#]

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

[#] Insert only where the entity has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* in accordance with AASB 101.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of [name of entity] is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the [company/registered scheme/disclosing entity]'s financial position as at 30 June 20X1 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note XX.[†]

Report on the Remuneration Report[§]

We have audited the Remuneration Report included in [paragraphs a to b or pages x to y] of the directors' report for the [period] ended 30 June 20X1. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

[†] Insert only where the entity has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* in accordance with AASB 101 AND the auditor agrees with the entity's statement. If the auditor does not agree with the statement, the auditor refers to ASA 705 (Revised and Redrafted).

[§] The Report on the Remuneration Report is an example of "other reporting responsibilities"—refer ASA 700 (Revised and Redrafted), paragraphs ~~38~~ and 39. Any additional "other reporting responsibilities" that the auditor needs to address, will also be included in a separate section of the auditor's report following the opinion paragraph on the financial report. Under paragraph 38, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section, is used.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

In our opinion the Remuneration Report of [name of entity] for the [period] ended 30 June 20X1, complies with section 300A of the *Corporations Act 2001*.

[Auditor's signature][‡]

[Date of the auditor's report]

[Auditor's address]

Draft

[‡] ~~Under paragraph 53 of this Auditing Standard,~~ The auditor's report needs 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.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Illustration 2:

Circumstances include the following:

- Audit of a **complete set of financial statements report** required by law or regulation.
- The financial **statements report are is** prepared for a general purpose by management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X (i.e., a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).
- The terms of the audit engagement reflect the description of management's responsibility for the financial **statements report** in **ISA/ASA 210 (Revised and Redrafted)**.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial **statements report** of ABC Company, which comprises **the statement of financial position as at 30 June, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information** ~~the balance sheet as at December 31, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.~~

Management's³¹ Responsibility for the Financial **Statements Report**

Management is responsible for the preparation of these financial **statements report** in accordance with XYZ Law of Jurisdiction X; this includes the **design, implementation establishment** and maintenance of internal control

³¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

relevant to the preparation of ~~the~~ financial ~~statements-report~~ that ~~are-is~~ free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial ~~statements-report~~ based on our audit. We conducted our audit in accordance with ~~International Standards on Australian~~ Auditing ~~Standards~~. Those standards require that we comply with ~~relevant~~ ethical requirements ~~relating to audit engagements~~ and plan and perform the audit to obtain reasonable assurance about whether the financial ~~statements-report are-is~~ free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial ~~statements-report~~. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial ~~statements-report~~, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial ~~statements-report~~ in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.³² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial ~~statements-report~~.

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

Opinion

In our opinion, the financial ~~statements-report~~ of ABC Company for the year ended ~~30 June~~~~December 31~~, 20X1 ~~are-is~~ prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

³² In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial ~~statements-report~~, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial ~~statements-report~~ in order to design audit procedures that are appropriate in the circumstances."

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

[Auditor's signature]*

[Date of the auditor's report]

[Auditor's address]

Draft

* The auditor's report needs 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.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Illustration 3:

Circumstances include the following:

- Audit of a consolidated entity's financial statements report prepared for a general purpose by management of the parent in accordance with International Financial Reporting Australian Accounting Standards.
- The terms of the group audit engagement reflect the description of management's responsibility for the financial statements report in ISAASA 210 (Revised and Redrafted).
- In addition to the audit of the group financial statementsreport, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Consolidated Financial StatementsReport³³

We have audited the accompanying consolidated financial statements report of ABC Company and its subsidiaries, which comprises the consolidated balance sheet statement of financial position as at 30 JuneDecember 31, 20X1, and the consolidated income statement of comprehensive income, the statement of changes in equity and the statement of cash flows statement for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Management's*³⁴ *Responsibility for the Consolidated Financial StatementsReport*

³³ The sub-title "Report on the Consolidated Financial StatementsReport" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements", or other appropriate sub-title, is not applicable.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Management is responsible for the preparation and fair presentation³⁵ of ~~these consolidated financial statements report~~ in accordance with ~~International Financial Reporting Australian Accounting Standards (including the Australian Accounting Interpretations)~~; this includes the ~~design, implementation establishment~~ and maintenance of internal control relevant to the preparation and fair presentation of ~~the consolidated financial statements report~~ that ~~are is~~ free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on ~~these consolidated financial statements report~~ based on our audit. We conducted our audit in accordance with ~~International Standards on Australian Auditing Standards~~. Those standards require that we comply with ~~relevant~~ ethical requirements ~~relating to audit engagements~~ and plan and perform the audit to obtain reasonable assurance about whether the ~~consolidated financial statements report are is~~ free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the ~~consolidated financial statements report~~. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the ~~consolidated financial statements report~~, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation³⁶ of the ~~consolidated financial statements report~~ in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the

³⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

³⁵ Depending on the circumstances, this sentence may read: "Management is responsible for the preparation of ~~the consolidated financial statements report~~ that gives a true and fair view in accordance with ~~[relevant International Financial Reporting Standards framework]~~..."

³⁶ Depending on the circumstances, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of ~~the consolidated financial statements report~~ that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

effectiveness of the entity's internal control.³⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the ~~consolidated~~-financial ~~statements~~report.

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

Opinion

In our opinion, the ~~consolidated~~-financial ~~statements~~report presents fairly, in all material respects, (or gives a true and fair view of) the financial position of ABC Company and its subsidiaries as (of) ~~30 June~~December 31, 20X1, and (of) their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Australian Accounting Standards ~~(including the Australian Accounting Interpretations)~~.

Report on Other Legal and Regulatory Requirements

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's signature]*

[Date of the auditor's report]

[Auditor's address]

³⁷ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the ~~consolidated~~-financial ~~statements~~report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the ~~consolidated~~-financial ~~statements~~report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 35, the sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated-financial ~~statements~~report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

* The auditor's report needs 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.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Illustration 3A:

Circumstances include the following:

- **Audit of a (corporate) consolidated entity’s financial report.**
- **The financial report is prepared for a general purpose by management of the entity in accordance with the requirements of the *Corporations Act 2001*.**
- **The financial report includes a statement that the financial statements comply with *International Financial Reporting Standards (IFRSs)*.**
- **The terms of the audit engagement reflect description of management’s responsibility for the financial report in ASA 210 (Revised and Redrafted).**
- **In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308 (3C) of the *Corporations Act 2001*. (Ref: paragraphs 38 and 39)**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Report on the Financial Report²

We have audited the accompanying financial report of [name of entity] ABC Company and its subsidiaries, which comprises the statement of financial position as at 30 June 20X1, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the directors’ declaration of the consolidated entity comprising the [company/registered scheme/disclosing entity] and the entities it controlled at the year’s end or from time to time during the financial year.

² The sub-title heading “Report on the Financial Report” is unnecessary in circumstances when the second sub-title heading “Report on Other Legal and Regulatory Requirements”, or other appropriate sub-title, is not applicable.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Directors' Responsibility for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*; this includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error. In Note XX, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards*.[#]

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

[#] Insert only where the entity has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* in accordance with AASB 101.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Opinion

In our opinion:

- (a) the financial report of [name of entity] is in accordance with the *Corporations Act 2001*, including:
- (i) giving a true and fair view of the [company/registered scheme/disclosing entity]’s and consolidated entity’s financial position as at 30 June 20X1 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and
- (b) the [consolidated/parent financial statements and notes or financial report^{††}] also comply [complies] with *International Financial Reporting Standards* as disclosed in Note XX.^{†††}

Report on the Remuneration Report[§]

We have audited the Remuneration Report included in [paragraphs a to b or pages x to y] of the directors’ report for the [period] ended 30 June 20X1. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

^{††} Use “consolidated” or “parent” as appropriate where the entity has made the AASB 101 statement of compliance under paragraph Aus164.1 (a) or paragraph Aus164.1 (b). Where the entity states that both the parent and consolidated financial statements and notes comply with IFRSs, use the term “financial report”

^{†††} Insert only where the entity has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* in accordance with AASB 101 AND the auditor agrees with the entity’s statement. If the auditor does not agree with the statement, the auditor refers to ASA 7054(*Revised and Redrafted*).

[§] The Report on the Remuneration Report is an example of “other reporting responsibilities”—refer ASA 700 (*Revised and Redrafted*), paragraphs 5438 and 39. Any additional “other reporting responsibilities” that the auditor needs to address, will also be included in a separate section of the auditor’s report following the opinion paragraph on the financial report. Under paragraph 38, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section, is used.

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted) (Re-issuance of ASA 700)

Opinion

In our opinion the Remuneration Report of [name of entity] for the [period] ended 30 June 20X1, complies with section 300A of the *Corporations Act 2001*.

[Auditor's signature][‡]

[Date of the auditor's report]

[Auditor's address]

[‡] ~~Under paragraph 53 of this Auditing Standard, t~~he auditor's report needs 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.

Tables of Differences — ASA 700 (Revised and Redrafted) and Extant ASA 700

Underlying Standard

ISA 700 *Forming an Opinion and Reporting on Financial Statements* (Redrafted) is used as the underlying Auditing Standard for the purpose of re-drafting this proposed Auditing Standard. The underlying Auditing Standard will be amended for the following matters:

- Australian Laws and Regulations (including the *Corporations Act 2001*);
- Changes considered necessary because this Auditing Standard is a legislative instrument; and
- Changes considered necessary in the public interest.

Summary of Main Differences — ASA 700 (Revised and Redrafted) and Extant ASA 700

The table below details the main differences (excluding editorial amendments) between this proposed Auditing Standard and extant ASA 700.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
Objectives			
1	6	The objectives of the auditor are to: (a) Form an opinion on the financial report based on an evaluation of the conclusions drawn from the audit evidence obtained; and (b) Express clearly that opinion through a written report that also describes the basis for the opinion.	New Objectives.
Definitions			
2	7	For purposes of the ISAs, the following terms have the meanings attributed below:	New Definitions [No change in meaning to terms used in the extant]

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		<p>(a) General purpose financial report means a financial report prepared in accordance with a general purpose framework.</p> <p>(b) General purpose framework means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.</p> <p>The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:</p> <p>(i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or</p> <p>(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.</p> <p>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.⁵</p> <p>(c) Unmodified opinion means the opinion expressed by the auditor when the auditor concludes that the financial report</p>	<p>Additional framework (compliance)</p>

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		<p>is prepared, in all material respects, in accordance with the applicable financial reporting framework.⁶</p> <p><u>Footnote 5:</u> See ASA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards,” paragraph 13(a).</p> <p><u>Footnote 6:</u> Paragraphs 35-36 deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.</p>	
3	8	<p>Reference to “a financial report” in this Auditing Standard means “a complete set of general purpose 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, and what constitutes a financial report.</p>	<p>New Definition</p> <p>[No change in meaning to terms used in the extant]</p>
4	9	<p>Reference to “International Financial Reporting Standards” in this ISA means the International Financial Reporting Standards issued by the International Accounting Standards Board, and reference to “International Public Sector Accounting Standards” means the</p>	<p>New Definitions</p> <p>[No change in meaning to terms used in the extant]</p>

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board.	
Forming an Opinion on the Financial Statements			
5	12	The auditor shall evaluate whether the financial report is prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity’s accounting practices, including indicators of possible bias in management’s judgments.	Elevation of extant ASA Explanatory Guidance [Extant ASA 700 para 17—equivalent Explanatory Guidance]
6	13	In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework: (a) The financial report adequately discloses the significant accounting policies selected and applied; (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate; (c) The accounting estimates made by management are reasonable; (d) The information presented in the financial report is relevant, reliable, comparable and understandable; (e) The financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report; and	Elevation of extant ASA Explanatory Guidance [Extant ASA 700 para 17—equivalent Explanatory Guidance]

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		(f) The terminology used in the financial report, including the title of each financial statement, is appropriate.	
7	14	<p>When the financial report is prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12-13 shall also include whether the financial report achieves fair presentation. The auditor’s evaluation as to whether the financial report achieves fair presentation shall include consideration of:</p> <p>(a) The overall presentation, structure and content of the financial report; and</p> <p>(b) Whether the financial report, including the related notes, represents the underlying transactions and events in a manner that achieves fair presentation.</p>	<p>Elevation of extant ASA Explanatory Guidance [Extant ASA 700 para 18—equivalent Explanatory Guidance]</p>
8	15	The auditor shall evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework.	New Requirement, no extant ASA equivalent
Form an Opinion			
9	17	<p>If the auditor:</p> <p>(a) concludes that, based on the audit evidence obtained, the financial report as a whole is not free from material misstatement; or</p> <p>(b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial report as a whole is free from material misstatement,</p>	<p>Elevation of extant ASA Explanatory Guidance [Extant ASA 700 para 4—equivalent Explanatory Guidance]</p>

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		the auditor shall modify the opinion in the auditor’s report in accordance with ASA 705 (Revised and Redrafted).	
10	18	If the financial report prepared in accordance with the requirements of a fair presentation framework does not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor’s report in accordance with ASA 705 (Revised and Redrafted).	Elevation of extant ASA Explanatory Guidance [Extant ASA 700 para 20—equivalent Explanatory Guidance]
11	19	When the financial report is prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial report achieves fair presentation. However, if in extremely rare circumstances the auditor concludes that such financial report is misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor’s report.	New Requirement, no extant ASA equivalent
Auditor’s Report			
12	24	[Managements’ Responsibility for the Financial Report] This section of the auditor’s report describes the responsibilities of those in the organisation who are responsible for the preparation of the financial report. The auditor’s report need not refer specifically to “management,” but shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference may be to those charged with governance.	Elevation of extant ASA Explanatory Guidance [Extant ASA 700 para 36—equivalent Explanatory Guidance]

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
13	25	The auditor’s report shall include a section with the heading “Management’s [or other appropriate term] Responsibility for the Financial Report.”	Elevation of extant ASA guidance contained in illustrative auditor’s reports. [Extant ASA 700Appendices—equivalent material]
14	28	The auditor’s report shall include a section with the heading “Auditor’s Responsibility.”	Elevation of extant ASA guidance contained in illustrative auditor’s reports. [Extant ASA 700Appendices—equivalent material]
15	32	Where the financial report is prepared in accordance with a fair presentation framework, the description of the audit in the auditor’s report shall refer to “the entity’s preparation and fair presentation of the financial report” or “the entity’s preparation of the financial report that gives a true and fair view,” as appropriate in the circumstances	Elevation of extant ASA guidance contained in illustrative auditor’s reports. [Extant ASA 700Appendices—equivalent material]
16	36	When expressing an unmodified opinion on the financial report prepared in accordance with a compliance framework, the auditor’s opinion shall be that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework]	New Requirement, no extant ASA equivalent
17	39	If the auditor’s report contains a separate section on other reporting responsibilities, the headings, statements and explanations referred to in paragraphs 23-37 shall be under the sub-title “Report on the Financial Report.” The “Report on Other Legal and Regulatory Requirements” shall follow the “Report on the Financial Report.”	Elevation of extant ASA guidance [see Appendices] Although not stipulated in the extant mandatory requirements, the specific headings were used in the example auditor’s reports for both Corps Act audits and other audits.

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
18	43	<p>If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout or wording of the auditor’s report, the auditor’s report shall refer to Australian Auditing Standards only if the auditor’s report includes, at a minimum, each of the following elements:</p> <ul style="list-style-type: none"> (a) A title; (b) An addressee, as required by the circumstances of the engagement; (c) An introductory paragraph that identifies the financial report audited; (d) A description of the responsibility of management (or other appropriate term, see paragraph 24) for the preparation of the financial report; (e) A description of the auditor’s responsibility to express an opinion on the financial report and the scope of the audit, that includes: <ul style="list-style-type: none"> • A reference to Australian Auditing Standards and the law or regulation; and • A description of an audit in accordance with those standards; (f) An opinion paragraph containing an expression of opinion on the financial report and a reference to the applicable financial reporting framework used to prepare the financial report (including identifying the jurisdiction of origin of the financial reporting framework that is not Australian Accounting Standards and/or relevant legislation or regulation; (g) The auditor’s signature; 	<p>New Requirement, no extant ASA equivalent.</p> <p>NOTE: Although strictly a new requirement, the underlying principles are implied in extant ASA 701 paras 11 and 12</p>

Item #	ASA (Revised and Redrafted) Para. #	ASA (Revised and Redrafted) Requirements	Commentary
		(h) The date of the auditor’s report; and (i) The auditor’s address.	
19	44	<p>An auditor may be required to conduct an audit in accordance with the auditing standards of a specific jurisdiction (the “national auditing standards”), but may additionally have complied with the ISAs in the conduct of the audit. If this is the case, the auditor’s report may refer to International Standards on Auditing in addition to the national auditing standards, but the auditor shall do so only if:</p> <p>(a) There is no conflict between the requirements in the national auditing standards and those in ISAs that would lead the auditor (i) to form a different opinion, or (ii) not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by ISAs; and</p> <p>(b) The auditor’s report includes, at a minimum, each of the elements set out in paragraph 43(a)-(i) when the auditor uses the layout or wording specified by the national auditing standards. Reference to law or regulation in paragraph 43(e) shall be read as reference to the national auditing standards. The auditor’s report shall thereby identify such national auditing standards.</p>	<p>Unshaded text is equivalent in meaning to the extant ASA 700 Requirement at para 63.</p> <p>Shaded text is additional to extant – new Requirement .</p>
20	45	<p>When the auditor’s report refers to both the national auditing standards and International Standards on Auditing, the auditor’s report shall identify the jurisdiction of origin of the national auditing standards.</p>	<p>New Requirement, no extant ASA equivalent.</p>