

This version is the existing ASRE 2400 re-arranged in clarity format. Re-arranged text is *not* shown as marked-up.

Marked-up changes, explained in text boxes in the margins, are revisions considered necessary to:

1. address changes to the *Corporations Act 2001* (relating to companies limited by guarantee); and
2. update the standard for consistency with clarity standard ASRE 2410 in areas additional to the re-arrangement in clarity format

[Agenda Item 10.3](#)  
[AUASB Meeting 19 April 2010](#)  
[Marked Up Version](#)

EXPOSURE DRAFT

**ED XXX**

(April 2010)

# **Proposed Auditing Standard on Review Engagements ASRE 2400**

## ***Review of a Financial Report Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)***

### **(Re-issuance of ASRE 2400)**

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 28 May 2010. 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](http://www.auasb.gov.au).

## Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

~~Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until no later than 30 April 2010 by contacting:~~ **Contact Details**

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## PREFACE

### Reasons for Issuing ED XXX

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue ~~Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*~~ 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 Act), 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 Act is in the process of being amended to enable particular companies limited by guarantee to elect for their annual financial report to be reviewed instead of audited. Accordingly, the AUASB re-issues ASRE 2400 as an Auditing Standard under section 336 of the Act.

~~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 a review of a financial report by an assurance practitioner who is not the auditor of the entity and the form and content of the review report.

## **Proposed Operative Date**

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 July 2010. For reviews of financial reports of companies limited by guarantee under the Corporations Act 2001, the operative date is for financial reporting periods ending on or after 30 June 2010.

## **Main changes from existing ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* (August 2008)**

The main differences between this proposed Auditing Standard and the Auditing Standard on Review Engagements that it supersedes, ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* (August 2008), 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 Standard on Review Engagement ASRE 2400, *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* by no later than 28 May 2010. The AUASB is seeking comments on the main changes from the existing ASRE 2400. 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?

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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 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**

This exposure draft has been developed in the context of the published proposed amendments to the *Corporations Act 2001* (the Act) and *Corporations Regulations 2001* (the Regulations) in respect of certain companies limited by guarantee. At the date of this exposure draft, the proposed amendments to the Act and the Regulations have not been approved by the Parliament of Australia. Readers are advised that the AUASB may decide to make amendments and other editorial changes to this document in response to any changes to the proposed amendments to the Act and the Regulations.

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)* ~~(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 on Review Engagements is to be read in conjunction with ASA 101 Preamble to Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, which sets out the intentions of the AUASB on how the Australian Auditing Standards are to be understood, interpreted and applied.

## AUDITING STANDARD ON REVIEW ENGAGEMENTS ASRE 2400

### *Review of a Financial Report Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)*

#### Application

1. This Auditing Standard on Review Engagements applies to:
  - (a) a review by an assurance practitioner ~~the independent auditor of the entity~~, of a financial report of a company limited by guarantee for a half year, in accordance with Part 2M.3 of the Corporations Act 2001; and
  - (b) a review of a financial report, or complete set of financial statements, -comprising historical financial information, performed by an assurance practitioner who is not the auditor of the entity, for any other purpose.

To address reforms to the Act

ASRE 2410

#### Operative Date

2. This Auditing Standard on Review Engagements (Auditing Standard) is operative:
  - (a) In relation to reviews of financial reports other than those of companies limited by guarantee, for financial reporting periods commencing on or after -1 July 2010; and
  - (b) For reviews of financial reports of companies limited by guarantee under the Corporations Act 2001, for financial reporting periods ending on or after 30 June 2010.

Drafter

Drafter

#### Introduction

##### Scope of this Auditing Standard ~~ASRE~~

3. This Auditing Standard deals with the auditor's assurance practitioner's responsibilities ~~to when undertaking an engagement to~~

Clarity & ASRE 2410

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review a financial report, or a complete set of financial statements, and on the form and content of the assurance practitioner's review report.

4. Where a company limited by guarantee elects to have its financial report reviewed, rather than audited, the auditor conducts the review in accordance with this Auditing Standard.

Drafter

4A In cases where an entity's financial report is subject to audit by an appointed auditor, any review of a financial report of the entity conducted by that auditor is to be performed in accordance with ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity.*

Drafter

**Effective Date**

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

**Objective**

4.5. The objective of the ~~auditor~~ assurance practitioner is to plan and perform the review to enable the assurance practitioner to express a conclusion whether, on the basis of the review, anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial report, or complete set of financial statements, is (are) not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A1-A3) ~~Under paragraph 21 of this ASRE, the assurance practitioner needs to make enquiries and perform analytical and other review procedures in order to reduce, to a limited level, the risk of expressing an inappropriate conclusion when the financial report is materially misstated.~~

ASRE 2410

Consistent with  
ASRE 2410.  
Moved to A&OEM,  
1<sup>st</sup> Para.

**Definitions**

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

(a) a financial report ~~is~~ means a complete set of financial statements including the related notes and an assertion statement by those responsible for the financial report. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information which ordinarily includes accompanying notes and an assertion by those responsible for the financial

Clarity &  
ASRE 2410

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~~report.~~ The requirements of the applicable financial reporting framework determine the form and content of the financial report ~~and what constitutes a complete financial report;~~

~~(b)~~ an applicable financial report is prepared in accordance with a financial reporting framework means a financial reporting framework that is designed to achieve fair presentation; ~~and~~

Clarity &  
ASRE 2410

~~(d)~~(c) an assurance practitioner is a person or an organisation, whether in public practice, industry, commerce or the public sector, involved in the provision of assurance services providing the assurance practitioner is not the auditor of the entity.

For purposes of a review, in accordance with this Auditing Standard, of a company limited by guarantee under the Corporations Act 2001, an individual who is an assurance practitioner who meets the requirements of section 324BE of the Act, is taken to be a registered company auditor.

Drafter

## Requirements

### Performing a Review

ASRE 2410

~~87.~~ The assurance practitioner who is engaged to perform a review of a financial report shall perform the review in accordance with this Auditing Standard ASRE (Ref: Para. A4).

~~98.~~ Where in rare and exceptional circumstances, factors outside the assurance practitioner's control prevent the assurance practitioner from complying with a relevant ~~mandatory~~ Requirement of in this ASRE Auditing Standard, the assurance practitioner shall:

Clarity rules

- (a) if possible, perform appropriate alternative procedures; and
- (b) document in the working papers:
  - (i) the circumstances surrounding the inability to comply;
  - (ii) the reasons for the inability to comply; and

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- (iii) justification of how alternative procedures achieve the objectives of the ~~mandatory~~ requirement.

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

**General Principles of a Review of a Financial Report**

~~9. The assurance practitioner shall comply with relevant ethical requirements, including those relating to professional competence. (Ref: Para. A5) ~~the fundamental ethical principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. The applicable code of conduct of a professional accounting body<sup>1</sup> provides appropriate guidance on the application of fundamental ethical principles.~~~~

ASRE 2410.  
See also A & OGM  
para. A4

~~10. The applicable code of conduct of a professional accounting body provides a framework of principles that members of assurance teams, firms and network firms use to identify threats to independence, evaluate the significance of those threats and, if the threats are other than clearly insignificant:~~

Moved to  
A&OEM  
See Para A4

~~11. identify and apply safeguards to eliminate the threats; or~~

~~12. reduce them to an acceptable level;~~

~~13. such that independence of mind and independence in appearance are not compromised.~~

~~14. The assurance practitioner shall implement quality control procedures that are applicable to the individual engagement, to address the following elements of a quality control system that apply to the individual engagement:~~

ASRE 2400  
wording deleted

~~15. leadership responsibilities for quality on the assurance engagement;~~

<sup>1</sup> ~~The applicable code of conduct of the professional accounting bodies is *APES 110 Code of Ethics for Professional Accountants*, as issued from time to time by the Accounting Professional and Ethical Standards Board (APESB). This code of conduct has been adopted by CPA Australia, National Institute of Accountants and the Institute of Chartered Accountants in Australia. In addition, codes of conduct issued by other professional bodies may apply.~~

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~~16.ethical requirements;~~

~~17.acceptance and continuance of client relationships and specific engagements;~~

~~18.assignment of engagement teams;~~

~~19.engagement performance; and~~

~~(f)9. monitoring.~~

~~9-10.~~ The assurance practitioner shall implement quality control procedures that are applicable to the individual engagement.  
(Ref: Para. A6)

~~11.~~ The assurance practitioner shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the financial report to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A7)

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

*Preconditions for a Review*

12. The assurance practitioner shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:

- (a) for the preparation and fair presentation of the financial report;
- (b) for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
- (c) to provide the assurance practitioner with:
  - access to information relevant to the preparation of the financial report;

<u>Used ASRE 2410 wording</u>
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- additional information that the assurance practitioner may request for the purposes of the review engagement; and
- unrestricted access to persons from whom the assurance practitioner determines it necessary to obtain evidence.

Agreement on Review Engagement Terms ←

ASRE2410

1513. The assurance practitioner shall agree the terms of the engagement with the entity, which shall be recorded in writing by the assurance practitioner and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation.

1614. Unless required by law or regulation, an assurance practitioner shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the assurance practitioner's review. (Ref: Para. A9 and A60)

**Procedures for a Review of a Financial Report**

Understanding the Entity and its Environment, Including its Internal Control

ASRE 2410

1715. The assurance practitioner shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the financial report, sufficient to plan and conduct the engagement so as to be able to:

- (a) identify the types of potential material misstatements and consider the likelihood of their occurrence; and
- (b) select the enquiries, analytical and other review procedures that will provide the assurance practitioner with a basis for reporting whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A10-A12)

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16. In order to plan and conduct a review of a financial report, a recently appointed assurance practitioner, who has not previously performed a review or an audit of the entity's financial report in accordance with relevant AUASB Standards, shall determine procedures to

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enhance their obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports the entity's financial report. (Ref: Para. A13)

**Materiality** (Ref: Para. A14-A18)

~~18~~17. The assurance practitioner shall consider materiality, using professional judgement, when:

- (a) determining the nature, timing and extent of review procedures; and
- (b) evaluating the effect of misstatements.

**Enquiries, Analytical and Other Review Procedures**

~~19~~18. The assurance practitioner shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the assurance practitioner to conclude whether, on the basis of the procedures performed, anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A19-A22)

~~20~~19. The assurance practitioner shall obtain evidence that the financial report agrees or reconciles with the underlying accounting records. (Ref: Para. A23)

~~21~~20. The assurance practitioner shall enquire whether management has identified all events up to the date of the review report that may require adjustment to, or disclosure in, the financial report. (Ref: Para. A24)

~~22~~21. The assurance practitioner shall enquire whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. When, as the result of this enquiry or other review procedures, the assurance practitioner becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the assurance practitioner shall:

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- (a) enquire of those charged with governance as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
- (b) consider the adequacy of the disclosure about such matters in the financial report. (Ref: Para. A25)

2322. When a matter comes to the assurance practitioner's attention that leads the assurance practitioner to question whether a material adjustment should be made for the financial report to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the assurance practitioner shall make additional enquiries or perform other procedures to enable the assurance practitioner to express a conclusion in the review report. (Ref: Para. A26)

**Comparatives – First Financial Report** (Ref: Para. A27-A30)

2423. When comparative information is included for the first time in the financial report, the assurance practitioner shall perform similar procedures on the comparative information as applied to the current period financial report.

**Evaluation of Misstatements** (Ref: Para. A31-A33)

2524. The assurance practitioner shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the assurance practitioner's attention are material to the financial report.

**Management-Written Representations**

2625. The assurance practitioner shall ~~endeavour to obtain~~ request written representations from management ~~and, where appropriate, those charged with governance,~~ that:

- (a) ~~it they~~ acknowledges ~~its their~~ responsibility for the design and implementation of internal control to prevent and detect fraud and error;
- (b) the financial report is prepared and presented in accordance with the applicable financial reporting framework;
- (c) ~~it they~~ believes the effect of those uncorrected misstatements aggregated by the assurance practitioner

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during the review are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of such items is included, in, or attached to, the written representations;

- (d) ~~it~~ they ~~have~~ s disclosed to the assurance practitioner all significant facts relating to any fraud(s) or suspected fraud(s) known to it that may have affected the entity;
- (e) ~~it~~ they ~~have~~ s disclosed to the assurance practitioner the results of ~~its~~ their assessment of the risk that the financial report may be materially misstated as a result of fraud;
- (f) ~~it~~ they ~~have~~ s disclosed to the assurance practitioner all known actual or possible non-compliance with laws and regulations the effects of which are to be considered when preparing the financial report; and
- (g) ~~it~~ they ~~have~~ s disclosed to the assurance practitioner all significant events that have occurred subsequent to the balance sheet date and through to the date of the review report that may require adjustment to, or disclosure in, the financial report. (Ref: Para. A34)

2726. If management and, where appropriate, those charged with governance refuse to provide a written representation that the assurance practitioner considers necessary, this constitutes a limitation on the scope of the assurance practitioner's work and the assurance practitioner shall express a qualified conclusion or a disclaimer of conclusion.

**Assurance Practitioner's Responsibility for Accompanying Information**

2827. The assurance practitioner shall read the other information that accompanies the financial report to consider whether any such information is materially inconsistent with the financial report.  
(Ref: Para. A35-A37)

2928. If a matter comes to the assurance practitioner's attention that causes the assurance practitioner to believe that the other information appears to include a material misstatement of fact, the assurance practitioner shall discuss the matter with the entity's management, and where appropriate, those charged with governance. (Ref: Para. A38)

**Communication**

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~~3029.~~ When, as a result of performing the review of a financial report, a matter comes to the assurance practitioner's attention that causes the assurance practitioner to believe that it is necessary to make a material adjustment to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the assurance practitioner shall communicate this matter as soon as practicable to the appropriate level of management.

~~3130.~~ When, in the assurance practitioner's judgement, management does not respond appropriately within a reasonable period of time, the assurance practitioner shall inform those charged with governance.  
(Ref: Para. A39)

~~3231.~~ When, in the assurance practitioner's judgement, those charged with governance do not respond appropriately within a reasonable period of time, the assurance practitioner shall consider:

- (a) whether to modify the report; or
- (b) the possibility of withdrawing from the engagement.  
(Ref: Para. A37 and A60)

~~3332.~~ When, as a result of performing the review of a financial report, a matter comes to the assurance practitioner's attention that causes the assurance practitioner to believe in the existence of fraud or non-compliance by the entity with laws and regulations, the assurance practitioner shall communicate the matter as soon as practicable to those charged with governance and shall consider the implications for the review. (Ref: Para. A40)

~~3433.~~ The assurance practitioner shall communicate relevant matters of governance interest arising from the review of the financial report to those charged with governance. (Ref: Para. A41 and A61)

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

~~3534.~~ The assurance practitioner shall issue a written report that contains the following:

- (a) An appropriate title clearly identifying it as a review report of the independent assurance practitioner.

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- (b) An addressee, as required by the circumstances of the engagement.
- (c) Identification of the financial report reviewed including identification of the title of each of the statements contained in the financial report and the date and period covered by the financial report.
- (d) A statement that those charged with governance are responsible for the preparation and fair presentation of the financial report in accordance with the applicable financial reporting framework.
- (e) A statement that the assurance practitioner is responsible for expressing a conclusion on the financial report based on the review.
- (f) A statement that the review of the financial report was conducted in accordance with Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, and that the Auditing Standard on Review Engagements requires the assurance practitioner to comply with relevant ethical requirements.
- (g) A statement that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
- (h) A statement that a review is substantially less in scope than an audit conducted in accordance with Auditing Standards and consequently does not enable the assurance practitioner to obtain assurance that the assurance practitioner would become aware of all significant matters that might be identified in an audit and that accordingly no audit opinion is expressed.
- (i) A conclusion as to whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial report does not present fairly, or if applicable, is not true and fair, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting

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framework when Australia is not the origin of the financial reporting framework used).

- (j) The date of the assurance practitioner's review report.
- (k) The location in the country or jurisdiction where the assurance practitioner practices.
- (l) The assurance practitioner's signature. [\(Ref: Para. A42\)](#)

**Departure from the Applicable Financial Reporting Framework**

~~3635.~~ The assurance practitioner shall express a qualified or adverse conclusion when a matter has come to the assurance practitioner's attention that causes the assurance practitioner to believe that a material adjustment should be made to the financial report, for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The assurance practitioner shall include a basis for modification paragraph in the report, that describes the nature of the departure and, if practicable, states the effects on the financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefore shall be included in the basis for modification paragraph. The conclusion paragraph shall be headed "Qualified Conclusion" or "Adverse Conclusion" whichever is relevant. [\(Ref: Para. A43\)](#)

~~3736.~~ When the effect of the departure is so material and pervasive to the financial report that the assurance practitioner concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial report, the assurance practitioner shall express an adverse conclusion. [\(Ref: Para. A44\)](#)

**Limitation on Scope** [\(Ref: Para. A45\)](#)

~~3837.~~ When the assurance practitioner is unable to complete the review, the assurance practitioner shall communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a review report.

**Limitation on Scope Imposed by Management**

38. [Unless required by law or regulation, an assurance practitioner shall not accept an engagement to review a financial report when](#)

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management has imposed a limitation on the scope of the auditor's review. (Ref: Para. A46 and A60)

39. If, after accepting the engagement, management imposes a limitation on the scope of the review, the assurance practitioner shall request management to remove the limitation. If management refuses the assurance practitioner's request to remove the limitation, the assurance practitioner shall communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. (Ref: Para. A47)
40. If management refuses the assurance practitioner's request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the assurance practitioner to issue a report, the assurance practitioner shall issue a disclaimer of conclusion or qualified conclusion report containing the reason(s) why the review cannot be completed. (Ref: Para. A48)

**Other Limitations on Scope Not Imposed by Management**

(Ref: Para. A49-A50)

41. ~~When the assurance practitioner concludes that an unqualified conclusion cannot be expressed,~~ The assurance practitioner shall express a qualified conclusion when in rare circumstances there is a limitation on the scope of an assurance practitioner's work, that is confined to one or more specific matters that, while material, ~~are is~~ not in the assurance practitioner's judgement pervasive to the financial report, and when the assurance practitioner concludes that an unqualified opinion cannot be expressed. A qualified conclusion shall be expressed as being "except for" the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed "Qualified Conclusion".

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**Going Concern and Significant Uncertainties (Ref: Para. A51-A55)**

42. If adequate disclosure is made in the financial report, the assurance practitioner shall add an emphasis of matter paragraph to the review report to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.
43. If a material uncertainty that casts significant doubt about the entity's ability to continue as a going concern is not adequately

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disclosed in the financial report, the assurance practitioner shall express a qualified or adverse conclusion, as appropriate. The report shall include specific reference to the fact that there is such a material uncertainty.

44. In circumstances other than a going concern problem, the assurance practitioner shall consider adding an emphasis of matter paragraph ~~modify the review report by adding a paragraph to highlight a significant uncertainty (other than a going concern problem)~~ that is adequately disclosed in the financial report, that came to the assurance practitioner's attention, the resolution of which is dependent upon future events and which may materially affect the financial report.
45. If a significant uncertainty ~~(other than a going concern problem)~~ is not adequately disclosed in the financial report, the assurance practitioner shall express a qualified or adverse conclusion, as appropriate. The report shall include specific reference to the fact that there is such a significant uncertainty.

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**Documentation** (Ref: Para. A62)

46. The assurance practitioner shall prepare review documentation that is sufficient and appropriate to provide a basis for the assurance practitioner's conclusion and to provide evidence that the review was performed in accordance with this ASRE Standard on Review Engagements and applicable legal and regulatory requirements.

\* \* \*

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## **Application and Other Explanatory Material**

### **Objective** (Ref: Para. 5)

A1. Under paragraph ~~1524~~ of this ASRE, the assurance practitioner needs to make enquiries and perform analytical and other review procedures in order to reduce, to a limited level, the risk of expressing an inappropriate conclusion when the financial report is materially misstated.

Consistent with ASRE 2410. Moved from Objective – Para. 4

~~45A2.~~ The objective of a review of a financial report differs significantly from that of an audit conducted in accordance with Auditing Standards. A review of a financial report does not provide a basis for expressing an opinion whether the financial report gives a true and fair view, or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

~~46A3.~~ A review, in contrast to an audit, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review may bring significant matters affecting the financial report to the assurance practitioner's attention, but it does not provide all of the evidence that would be required in an audit.

### **Performing a Review** (Ref: Para. 7)

~~A4.~~ Although other Auditing Standards do not apply to review engagements, they include guidance which may be helpful to assurance practitioners performing reviews covered by this Auditing Standard.

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### **General Principles of a Review of a Financial Report**

A5. Relevant ethical requirements<sup>2</sup> govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, and technical standards. (Ref: Para. 9)

Used ASRE 2410 wording

~~47A6.~~ The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the

Used ASRE 2410 wording

<sup>2</sup> See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

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~~engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring. procedures relevant to an audit engagement are contained in Auditing Standards ASQC 1 -and ASA 220\* Quality Control for an Audit of Historical Financial Information, include guidance that may be helpful and may be helpful in determining quality control procedures relevant to a review engagement. (Ref: Para. 10)~~

~~48A7.~~ An attitude of professional scepticism means that the assurance practitioner makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that contradicts or brings into question the reliability of documents or representations by management of the entity. (Ref: Para. 11)

#### **Agreeing the Terms of the Engagement**

~~49A8.~~ Such a communication helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of those charged with governance, the extent of the assurance practitioner's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:

- The objective of a review of a financial report.
- The scope of the review.
- The responsibilities of those charged with governance for:
  - ◆ the financial report;
  - ◆ establishing and maintaining effective internal control relevant to the preparation of the financial report; and
  - ◆ making all financial records and related information available to the assurance practitioner.
- Agreement from those charged with governance:

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\* See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information.*

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- ◆ to provide written representations to the assurance practitioner to confirm representations made orally during the review, as well as representations that are implicit in the entity's records.
- ◆ that where any document containing the financial report indicates that the financial report has been reviewed by the entity's assurance practitioner, the review report will also be included in the document; and
- ◆ the anticipated form and content of the report to be issued, including the identity of the addressee of the report and provision that the report may be modified.

Appendix 1 to this [ASRE Standard on Review Engagements](#) contains an illustrative engagement letter. [\(Ref: Para. 13\)](#)

~~50A9.~~ Under paragraph ~~149~~ of this [ASRE Standard on Review Engagements](#), the assurance practitioner ~~needs to refuse to~~ **does not** accept an engagement to review a financial report if the assurance practitioner's preliminary knowledge of the engagement circumstances indicates that the assurance practitioner would be unable to complete the review because there will be a limitation on the scope of the assurance practitioner's review imposed by management of the entity. [\(Ref: Para. 14\)](#)

[Drafter](#)

**Procedures for a Review of a Financial Report**

Understanding the Entity and its Environment, [Including its Internal Control](#)

[ASRE 2410](#)

~~51A10.~~ Under paragraph ~~21-15~~ of this [ASRE Standard on Review Engagements](#), the assurance practitioner needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied. [\(Ref: Para. 15\)](#)

~~52A11.~~ The procedures performed by the assurance practitioner to obtain or update the understanding of the entity and its environment, including its internal control, may include, for example, the following:

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- reading the documentation of the preceding year's audit, and review(s) of prior period(s) of the current year, and corresponding period(s) of the prior year, to enable the assurance practitioner to identify matters that may affect the current-period financial report;
- considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial report;
- reading the most recent annual and comparable prior period financial report;
- considering materiality with reference to the applicable financial reporting framework, as it relates to the financial report, to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements;
- considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial report;
- considering significant financial accounting and reporting matters that may be of continuing significance, such as material weaknesses in internal control;
- considering the results of any internal audit performed and the subsequent actions taken by management;
- enquiring of management about the results of management's assessment of the risk that the financial report may be materially misstated as a result of fraud;
- enquiring of management about the effect of changes in the entity's business activities;
- enquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of the financial report; and
- enquiring of management of the process by which the financial report has been prepared and the reliability of the underlying accounting records to which the financial report is agreed or reconciled. [\(Ref: Para. 15\)](#)

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53A12. Under paragraph ~~24~~15, the assurance practitioner needs to determine the nature of the review procedures, if any, to be performed for components and, where applicable, communicate these matters to other assurance practitioners involved in the review. Factors considered ordinarily include the materiality of, and risk of misstatement in, the financial report components, and the assurance practitioner's understanding of the extent to which internal control over the preparation of such reports is centralised or decentralised. (Ref: Para. 15)

54A13. The enhanced understanding required under paragraph ~~24~~16, enables the recently appointed assurance practitioner to focus the enquiries made, and the analytical and other review procedures applied in performing a review of the financial report in accordance with this ASRE Standard on Review Engagements. As part of obtaining this understanding, ordinarily the assurance practitioner makes enquiries, where relevant, of the entity's predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit and for any prior periods in the current year that have been reviewed by the predecessor auditor. In doing so, ordinarily the assurance practitioner considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the predecessor auditor, any significant risks, including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control. See also paragraph ~~23~~A11 above. (Ref: Para. 16)

**Materiality** (Ref: Para. 17)

55A14. ~~Under paragraph 26 of this ASRE, t~~The assurance practitioner needs to use professional judgement and consider qualitative and quantitative factors in determining materiality.

56A15. Ordinarily, the assurance practitioner's consideration of materiality for a review of an interim financial report is based on the interim period financial data and accordingly materiality based on interim period financial data may be less than materiality for annual financial data. If the entity's business is subject to cyclical variations, or if the financial results for the current period show an exceptional decrease or increase compared to prior periods and expected results for the current period, the assurance practitioner may, for example, conclude that materiality is more appropriately determined using a normalised amount for the period.

Drafter.  
See para 16

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~~57A16.~~ The assurance practitioner's consideration of materiality, in evaluating the effects of misstatements, is a matter of professional judgement and is affected by the assurance practitioner's perception of the financial information needs of users of the financial report.

~~58A17.~~ If the applicable financial reporting framework contains a definition of materiality, it will ordinarily provide a reference to the assurance practitioner when determining materiality for planning and performing the review.

~~59A18.~~ ~~Under paragraph 26 of this ASRE,~~ The assurance practitioner needs, when relevant, to consider materiality from the perspective of both the entity and the consolidated entity.

"Under...." Not used  
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**Enquiries, Analytical and Other Review Procedures**

~~60A19.~~ A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The assurance practitioner's understanding of the entity and its environment, including its internal control, the results of risk assessments and the assurance practitioner's consideration of materiality as it relates to the financial report, affect the nature and extent of the enquiries made, and analytical and other review procedures applied.

[\(Ref: Para. 18\)](#)

~~61A20.~~ The assurance practitioner ordinarily performs the following review procedures:

~~(a)~~ Reading the minutes of the meetings of shareholders, those charged with governance, and other appropriate committees, to identify matters that may affect the financial report, and enquiring about matters dealt with at meetings for which minutes are not available that may affect the financial report.

~~(b)~~ Considering the effect, if any, of matters giving rise to a modification of the audit or review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.

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- ~~—(c)~~ Communicating, where appropriate, with other assurance practitioners who are performing a review of the financial report of the entity's significant components.
- ~~—(d)~~ When using the work performed by another assurance practitioner or an expert, considering the adequacy of such work for the purposes of the review.<sup>3</sup>
- ~~—(e)~~ Enquiring of members of management responsible for financial and accounting matters, and others as appropriate, about the following:

  - ◆(i) whether the financial report has been prepared and presented in accordance with the applicable financial reporting framework;
  - ◆(ii) whether there have been any changes in accounting principles or in the methods of applying them;
  - ◆(iii) whether any new transactions have necessitated the application of a new accounting principle;
  - ◆(iv) whether the financial report contains any known uncorrected misstatements;
  - ◆(v) unusual or complex situations that may have affected the financial report, such as a business combination or disposal of a segment of the business;
  - ◆(vi) significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity;
  - ◆(vii) whether related party transactions have been appropriately accounted for and disclosed in the financial report;
  - ◆(viii) significant changes in commitments and contractual obligations;

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<sup>3</sup> Auditing Standard ASA 600 *Using the Work of Another Auditor* and Auditing Standard ASA 620 *Using the Work of an Expert* contain information that the assurance practitioner may find helpful in this context.

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- ◆(ix) significant changes in contingent assets and contingent liabilities including litigation or claims;
  - ◆(x) compliance with debt covenants;
  - ◆(xi) matters about which questions have arisen in the course of applying the review procedures;
  - ◆(xii) significant transactions occurring in the last several days of the period or the first several days of the next period;
  - ◆(xiii) knowledge of any fraud or suspected fraud affecting the entity involving:
    - management;
    - employees who have significant roles in internal control; or
    - others where the fraud could have a material effect on the financial report;
  - ◆(xiv) knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial information, communicated by employees, former employees, analysts, regulators or others; and
  - ◆(xv) knowledge of any actual or possible non-compliance with laws and regulations that could have a material effect on the financial report;
- (f) Applying analytical procedures to the financial report designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the financial report. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and may be performed manually or with the use of computer assisted techniques. Appendix 3 to this [ASRE Standard on Review Engagements](#) contains examples of analytical procedures the assurance practitioner may consider when performing a review of a financial report.

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~~—(g)~~ Reading the financial report and considering whether anything has come to the assurance practitioner's attention that causes the assurance practitioner to believe that the financial report is not prepared in accordance with the applicable financial reporting framework. [\(Ref: Para. 18\)](#)

Appendix 4 to this [ASRE Standard on Review Engagements](#) contains illustrative detailed procedures that the assurance practitioner may consider when performing a review of a financial report. The list is not exhaustive, nor is it intended that all procedures suggested apply to every review engagement.

[62A21.](#) The assurance practitioner may perform many of the review procedures before, or simultaneously with, the entity's preparation of the financial report. For example, it may be practical to obtain or update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the period. Performing some of the review procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial report. [\(Ref: Para. 18\)](#)

[63A22.](#) A review of a financial report ordinarily does not require corroborating the enquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an enquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims, or alternative procedures, may, however, be appropriate if a matter comes to the assurance practitioner's attention that causes the assurance practitioner to question whether the financial report is in accordance with the applicable financial reporting framework. [\(Ref: Para. 18\)](#)

[64A23.](#) The assurance practitioner may obtain evidence that the financial report agrees or reconciles with the underlying accounting records by tracing the financial report to:

- (a) the accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
- (b) other supporting data in the entity's records as necessary. [\(Ref: Para. 19\)](#)

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65A24. ~~Under paragraph 39 of this ASRE,~~† The assurance practitioner need not perform procedures to identify events occurring after the date of the review report. (Ref: Para. 20)

“Under...” Not used in clarity version of ASRE 2410

66A25. Events or conditions which may cast significant doubt on the entity’s ability to continue as a going concern may have existed at the date of the annual financial report or may be identified as a result of enquiries of management or in the course of performing other review procedures. When such events or conditions come to the assurance practitioner’s attention, ~~under paragraph 41 of this ASRE,~~ the assurance practitioner needs to enquire of those charged with governance as to their plans for future action, such as their plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. ~~Under paragraph 41 of this ASRE,~~ † The assurance practitioner needs to enquire also as to the feasibility of the plans of those charged with governance and whether they believe that the outcome of these plans will improve the situation. Ordinarily, the assurance practitioner considers, based on procedures performed, whether it is necessary to corroborate the feasibility of the plans of those charged with governance and whether the outcome of these plans will improve the situation. (Ref: Para. 21)

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67A26. For example, if the assurance practitioner’s review procedures lead the assurance practitioner to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the assurance practitioner performs additional procedures sufficient to resolve the assurance practitioner’s questions, such as discussing the terms of the transaction with senior marketing and accounting personnel, or reading the sales contract. (Ref: Para. 22)

**Comparatives – First Financial Report** (Ref: Para. 23)

68A27. When comparative information is included for the first time in the financial report, and the assurance practitioner is unable to obtain sufficient appropriate review evidence to achieve the review objective, a limitation on the scope of the review exists ~~and—Under paragraph 82 of this ASRE,~~ the assurance practitioner needs to modify<sup>4</sup> the review report. In such cases, ordinarily an assurance practitioner encourages clear disclosure in the financial report, that the assurance practitioner has been unable to review the

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<sup>4</sup> Ordinarily, a limitation on the scope of the assurance practitioner’s work relating to comparative information will result in a qualified (“except for”) conclusion.

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comparatives. Appendix 5 to this [ASRE Standard on Review Engagements](#) contains an example of a modified review report.

~~69A28.~~ When comparative information is included in the first financial report and the assurance practitioner believes a material adjustment should be made to the financial report, under paragraph ~~72-35~~ of this [ASRE Standard on Review Engagements](#), the assurance practitioner needs to modify the review report.

~~70A29.~~ When an entity has come into existence within the first period, comparative information will not be provided in the first financial report and no modified review report is required.

Improvement needed - more specific

~~71A30.~~ Accounting Standard AASB 101 Presentation of Financial Statements, provides ~~r~~Requirements and ~~e~~Explanatory ~~g~~Guidance relating to comparative information included in a financial report prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 1 First-time Adoption of Australian ~~Equivalents to International Financial Reporting Accounting~~ Standards, provides ~~r~~Requirements and ~~e~~xplanatory guidance relating to comparative information when an entity adopts Australian ~~Equivalents to International Financial Reporting Accounting~~ Standard (~~AIFRS~~) for the first time.

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**Evaluation of Misstatements** (Ref: Para. 24)

~~72A31.~~ A review of a financial report, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. However, ~~under paragraph 50 of this ASRE Standard on Review Engagements~~, misstatements which come to the assurance practitioner’s attention, including inadequate disclosures, need to be evaluated individually and in the aggregate, to determine whether a material adjustment is required to be made to the financial report, for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.

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~~73A32.~~ ~~Under paragraph 50 of this ASRE Standard on Review Engagements,~~ ~~‡~~The assurance practitioner needs to exercise professional judgement in evaluating the materiality of any misstatements that the entity has not corrected. Ordinarily, the assurance practitioner considers matters such as the nature, cause and amount of the misstatements, ~~whether the misstatements~~ originating ~~in~~ the preceding year or ~~period of~~ the current year, and the potential effect of the misstatements on future periods.

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~~74A33.~~ The assurance practitioner may designate an amount below which misstatements need not be aggregated, because the assurance practitioner expects that the aggregation of such amounts clearly would not have a material effect on the financial report. In so doing, under paragraph ~~26-17~~ of this ~~ASRE~~ Standard on Review Engagements, the assurance practitioner needs to consider the fact that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the financial report.

**Management Written Representations** (Ref: Para. 25)

~~75A34.~~ ~~Under paragraph 54 of this ASRE,~~ The assurance practitioner needs to endeavour to obtain additional representations, as are appropriate, to matters specific to the entity's business or industry. ~~Appendix 2 to this ASRE contains An illustrative management representation letter is set out in Appendix 2.~~

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**Assurance Practitioner's Responsibility for Accompanying Information**

~~76A35.~~ Ordinarily, the assurance practitioner makes appropriate arrangements with the entity to obtain the other information on a timely basis. (Ref: Para. 27)

~~77A36.~~ If the assurance practitioner identifies a material inconsistency, ~~under paragraph 57 of this ASRE,~~ the assurance practitioner needs to consider whether the financial report or the other information needs to be amended. If an amendment is necessary in the financial report, and those charged with governance refuse to make the amendment, under paragraph ~~65-31~~ of this ASRE, the assurance practitioner needs to consider the implications for the review report. If an amendment is necessary in the other information and those charged with governance refuse to make the amendment, the assurance practitioner may, for example, consider including in the review report an ~~additional Other Matter P~~ paragraph (emphasis of matter) describing the material inconsistency (ASA 720 and ASA 706 include guidance which may be helpful\*), or ~~may take~~ ing other actions, such as withholding the issuance of the review report or withdrawing from the engagement. For example, those charged with governance may present alternative measures of earnings that more positively portray financial performance than the financial report,

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\* See ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*; and ASA 706 *Emphasis of Matter Paragraphs or Other Matter Paragraphs in the Independent Auditor's Report*.

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and such alternative measures are given excessive prominence, are not clearly defined, or not clearly reconciled to the financial report such that they are confusing and potentially misleading. (Ref: Para. 27)

A37. For a review of a financial report under the Corporations Act 2001 (Act), withholding the issuance of the review report and/or withdrawing from the review engagement are not options available under the Act. (Ref: Para. 31)

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78A38. While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the assurance practitioner's attention (~~i.e. that is,~~ information, not related to matters appearing in the financial report, that is incorrectly stated or presented). When discussing the matter with the entity's management, ordinarily the assurance practitioner considers the validity of the other information and management's responses to the assurance practitioner's enquiries, whether valid differences of judgement or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, ordinarily the assurance practitioner considers taking further action as appropriate, such as notifying those charged with governance and, if necessary, obtaining legal advice. (Ref: Para. 28)

**Communication**

79A39. ~~Such~~ Communications with management and/or those charged with governance are made as soon as practicable, either orally or in writing. The assurance practitioner's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, under paragraph ~~95-46~~ of this ASRE Standard on Review Engagements, the assurance practitioner needs to document the communication. (Ref: Para. 30)

80A40. The determination of which level of management may also be informed is affected by the likelihood of collusion or the involvement of a member(s) of management. (Ref: Para. 32) ~~Under paragraph 66 of this ASRE Standard on Review Engagements, the assurance practitioner needs to report such matters to those charged with governance.~~

ASRE 2410

"Under...." Not used in clarity version of ASRE 2410

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~~81A41.~~ As a result of performing the review of the financial report, the assurance practitioner may become aware of matters that in the opinion of the assurance practitioner are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. ~~(Ref: Para. 33) Under paragraph 68 of this ASRE Standard on Review Engagements, the assurance practitioner needs to communicate such matters to those charged with governance.~~

[ASRE 2410](#)

**Reporting the Nature, Extent and Results of the Review of a Financial Report** ~~(Ref: Para. 34)~~

~~82A42.~~ In some cases, laws or regulations governing the review of a financial report may prescribe wording for the assurance practitioner's conclusion that is different from the wording described in paragraph ~~3470~~(i). Although the assurance practitioner may be obliged to use the prescribed wording, the assurance practitioner's responsibilities as described in this ~~ASRE Standard on Review Engagements~~ for coming to the conclusion remain the same. ~~ASA 700 includes guidance which may be helpful.~~<sup>5</sup> Appendix 5 to this ~~ASRE Standard on Review Engagements~~ contains illustrative review reports.

[ASRE 2410](#)

**Departure from the Applicable Financial Reporting Framework**

~~(Ref: Para. 35-36)~~

~~83A43.~~ If matters have come to the assurance practitioner's attention that cause the assurance practitioner to believe that the financial report is or may be materially affected by a departure from the applicable financial reporting framework, and those charged with governance do not correct the financial report, ~~under paragraph 72 of this ASRE,~~ the assurance practitioner needs to modify the review report. If the information that the assurance practitioner believes is necessary for adequate disclosure is not included in the financial report, ~~under paragraph 72 of this ASRE,~~ the assurance practitioner needs to modify the review report and, if practicable, include the necessary information in the review report. Appendix 5 to this ~~ASRE Standard on Review Engagements~~ contains illustrative review reports with a qualified conclusion.

["Under...." Not used in clarity version of ASRE 2410](#)

~~84A44.~~ Departures from the applicable financial reporting framework, may result in an adverse conclusion. Appendix 5 to this ~~ASRE Standard~~

[ASRE 2410](#)

<sup>5</sup> See ~~Auditing Standard~~ ASA 700 *Forming an Opinion and Reporting The Auditor's Report on a General Purpose Financial Report*, ~~contains information on the wording of reports that may be helpful.~~

[Necessary addition for circumstances where a review report \*must\* be issued – such as a review under the Act](#)

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on Review Engagements contains an illustrative review report with an adverse conclusion.

**Limitation on Scope** (Ref: Para. 37)

85A45. Ordinarily, a limitation on scope prevents the assurance practitioner from completing the review. The assurance practitioner’s consideration of whether to issue a report is made under applicable law or regulation.

Drafter

**Limitation on Scope Imposed by Management**

A46. The assurance practitioner needs to refuse to accept an engagement to review a financial report if the assurance practitioner’s preliminary knowledge of the engagement circumstances indicates that the assurance practitioner would be unable to complete the review because there will be a limitation on the scope of the assurance practitioner’s review imposed by management of the entity. (Ref: Para. 38)

ASRE 2410

86A47. If, after accepting the engagement, management imposes a limitation on the scope of the review, under paragraph 78 of this ASRE, the assurance practitioner needs to request the removal of that limitation. If management refuses to do so, the assurance practitioner is unable to complete the review and express a conclusion. In such cases, under paragraph 78 of this ASRE, the assurance practitioner needs to communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. Nevertheless, if a matter comes to the assurance practitioner’s attention that causes the assurance practitioner to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraphs 62-29, 63-30 and 66-32 of this ASRE Standard on Review Engagements, the assurance practitioner needs to communicate such matters to the appropriate level of management and those charged with governance. (Ref: Para. 39)

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87A48. Under paragraph 80 of this ASRE, ~~the~~ assurance practitioner needs to consider the legal and regulatory responsibilities, including whether there is a legal or regulatory requirement for the assurance practitioner to issue a report. If there is such a requirement, under paragraph 80 of this ASRE, the assurance practitioner needs to disclaim a conclusion, and provide in the review report the reason

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why the review cannot be completed. However, if a matter comes to the assurance practitioner's attention that causes the assurance practitioner to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the assurance practitioner, ordinarily under the terms of the engagement, needs to communicate such a matter in the report. (Ref: Para. 40)

**Other Limitations on Scope Not Imposed by Management** (Ref: Para. 41)

88A49. A limitation on scope may occur due to circumstances other than a limitation on scope imposed by management or those charged with governance. In such circumstances, the assurance practitioner is ordinarily unable to complete the review and express a conclusion and is guided by paragraphs ~~80-40~~ and ~~82-41~~ of this Auditing Standard. There may be, however, some rare circumstances where the limitation on the scope of the assurance practitioner's work is clearly confined to one or more specific matters that, while material, are not in the assurance practitioner's judgement pervasive to the financial report. In such circumstances, ~~under paragraph 82 of this ASRE,~~ the assurance practitioner needs to modify the review report by indicating that, except for the matter which is described in the basis for qualification paragraph to the review report, the review was conducted in accordance with this ~~ASRE~~ Standard on Review Engagements, and by qualifying the conclusion. Appendix 5 to this ~~ASRE~~ Standard on Review Engagements contains illustrative review reports with a qualified conclusion.

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89A50. The auditor may have expressed a qualified opinion on the audit of the latest annual financial report because of a limitation on the scope of that audit. Under paragraph ~~82-41~~ of this ~~ASRE~~ Standard on Review Engagements, the assurance practitioner needs to consider whether that limitation on scope still exists and, if so, the implications for the review report.

**Going Concern and Significant Uncertainties** (Ref: Para. 42-45)

90A51. In certain circumstances, an emphasis of matter paragraph may be added to a review report, without affecting the assurance practitioner's conclusion, to highlight a matter that is included in a note to the financial report that more extensively discusses the matter. The paragraph would preferably be included after the conclusion paragraph and ordinarily refers to the fact that the conclusion is not qualified in this respect.

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~~91A52.~~ An assurance practitioner, or the auditor of the entity, may have modified a prior audit or review report by adding an emphasis of matter paragraph to highlight a material uncertainty relating to an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. If the material uncertainty still exists and adequate disclosure is made in the financial report, ~~under paragraph 86 of this ASRE,~~ the assurance practitioner needs to modify the review report on the current financial report by adding a paragraph to highlight the continued material uncertainty.

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in clarity version of  
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~~92A53.~~ If, as a result of enquiries or other review procedures, a material uncertainty relating to an event or condition comes to the assurance practitioner's attention that may cast significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the financial report, ~~under paragraph 86 of this ASRE,~~ the assurance practitioner needs to modify the review report by adding an emphasis of matter paragraph.

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in clarity version of  
ASRE 2410

A54. ASA 570 Going Concern provides information that the auditor may find helpful in considering going concern in the context of the review engagement.

ASRE 2410

A55. Ordinarily, a significant uncertainty in relation to any other matter, the resolution of which may materially affect the financial report, would warrant an emphasis of matter paragraph in the assurance practitioner's review report.

ASRE 2410

**Other Considerations**

~~93A56.~~ The terms of the engagement include agreement by those charged with governance that where any document containing the financial report indicates that the financial report has been reviewed by the assurance practitioner, the review report will be also included in the document. If those charged with governance have not included the review report in the document, ordinarily the assurance practitioner considers seeking legal advice to assist in determining the appropriate course of action in the circumstances. (Ref: Para. 13)

~~94A57.~~ If the assurance practitioner has issued a modified review report and those charged with governance issue the financial report without including the modified review report in the document containing the financial report, ordinarily the assurance practitioner considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment.

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~~101A58.~~ A summarised financial report does not include all of the information that would be included in a general purpose financial report, but may rather present an explanation of the events and changes that are significant to an understanding of the changes in the financial position and performance of the entity since the annual reporting date. This is because it is presumed that the users of the financial report will have access to the latest audited financial report, such as is the case with listed entities. In other circumstances, ~~ordinarily~~ the assurance practitioner discusses with management the need for the financial report to include a statement that it is to be read in conjunction with the latest audited financial report. In the absence of such a statement, ~~ordinarily~~ the assurance practitioner considers whether, without a reference to the latest audited financial report, the financial report is misleading in the circumstances as well as the implications for the review report.

Paragraph contained in ISRE 2410 (para. 63) and ASRE 2400 (para. 94) but was not included in ASRE 2410.

Suggest this para remain because this standard is not restricted to the review of companies limited by guarantee.

Considerations Specific to Public Sector Entities

A59. The assurance practitioner needs to agree with the client the terms of engagement. When agreeing the terms of engagement, an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management’s responsibilities, the extent of the assurance practitioner’s responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the assurance practitioner. Nevertheless, an engagement letter setting out the matters referred to in paragraph A8 may be useful to both the public sector assurance practitioner and the client. Public sector assurance practitioners, therefore, consider agreeing with the client the terms of a review engagement by way of an engagement letter. (Ref: Para. 13)

ASRE 2410

~~103~~In the public sector, the assurance practitioner’s statutory audit obligation may extend to other work, such as a review of interim financial information. Where this is the case, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position not to accept, or to withdraw from a review engagement. The public sector auditor also may not be in the position to resign from the appointment to audit the annual financial report.

Not applicable.  
If the “auditor” then must use ASRE 2410

A60. In the public sector, the assurance practitioner’s statutory obligations may mean that the public sector assurance practitioner cannot avoid such obligations and, consequently, may not be in a position to refuse to accept, to withdraw or to resign from a review engagement. (Ref: Para. 14, 31(b) and 38)

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A59.A61. The assurance practitioner needs to communicate to those charged with governance and consider the implications for the review when a matter comes to the assurance practitioner’s attention that causes the assurance practitioner to believe in the existence of fraud or non-compliance by the entity with laws and regulations. In the public sector, the assurance practitioner may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities. (Ref: Para. 33)

ASRE 2410

**Documentation (Ref: Para. 46)**

A62. ~~Under paragraph 95 of this ASRE, †~~The assurance practitioner needs to prepare documentation that enables an experienced assurance practitioner, having no previous connection with the engagement, to understand the nature, timing and extent of the enquiries made and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

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**Conformity with International Standards on Auditing**

Except as noted below, this Auditing Standard on Review Engagements conforms with International Standard on Review Engagements ISRE 2400 *Engagements to Review Financial Statements*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

The main differences between this Auditing Standard on Review Engagements and ISRE 2400 are:

- This Auditing Standard on Review Engagements includes the following Requirements that are not included as Requirements in ISRE 2400:
  - <type here>

Compliance with this Auditing Standard on Review Engagements enables compliance with ISRE 2400.

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**Appendix 1**

(Ref: Para. )

**EXAMPLE OF AN ENGAGEMENT LETTER FOR A  
REVIEW ENGAGEMENT**

The following letter is not intended to be a standardised letter. It is to be used as a guide only and will need to be adapted according to the engagement requirements and circumstances.

To [title of those charged with governance:<sup>6</sup>]

**Scope**

You have requested that we review the financial report of [name of entity], which comprises the balance sheet as at 31 December 20XX, and the related statements of income, changes in equity and cash flows for the [period] ended on that date, and a summary of significant accounting policies and other explanatory notes. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.

Our review will be conducted in accordance with [Auditing Standard on Review Engagements ASRE 2400 \*Reviews of Financial Reports Performed by an Assurance Practitioner Who is Not the Auditor of the Entity\*](#) issued by the Auditing and Assurance Standards Board, with the objective of providing us with a basis for reporting whether anything has come to our attention that causes us to believe that the financial report of [name of entity] is not prepared, in all material respects, in accordance with [applicable financial reporting framework]. Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of a financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we shall express no such opinion. [Auditing Standard on Review Engagements ASRE 2400](#) requires us to also comply with ethical requirements.

We expect to report on the financial report as follows, however, our report may be modified:

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<sup>6</sup> Insert the appropriate term, such as “Directors” or “Board of Management”.

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[Include text of sample review report - see Appendix 5]

Responsibility for the financial report, including adequate disclosure, is that of [those charged with governance.<sup>7</sup>] This includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. As part of our review, we shall request written representations from management concerning assertions made in connection with the review. We shall also request that where any document containing the financial report indicates that the financial report has been reviewed, our report will also be included in the document.

A review of the financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to identify whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

**Presentation of the reviewed financial report on the Internet [Insert if applicable]**

It is our understanding that [the entity] intends to publish a hard copy of the reviewed financial report and the assurance practitioner's review report, and to electronically present the reviewed financial report and our review report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by [the entity] to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of reviewed financial information on the entity's web site is beyond the scope of the review of the financial report. Responsibility for the electronic presentation of the financial report on the entity's web site is that of the [governing body of the entity].

**Fees**

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

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<sup>7</sup> Insert the appropriate term, such as "Directors" or "Board of Management".

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[This letter will be effective for future years unless it is terminated, amended or superseded.]<sup>8</sup>

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the financial report.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by

(signed)

.....

Name and Title

Date

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<sup>8</sup> Use if applicable.

## **Appendix 2**

(Ref: Para. )

### **EXAMPLE OF A MANAGEMENT REPRESENTATION LETTER FOR A REVIEW ENGAGEMENT**

The following letter is not intended to be a standardised letter. It is to be used as a guide only and will need to be adapted according to the engagement requirements and circumstances.

Representations by management will vary from one entity to another and from one period to the next. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management have made oral representations which the assurance practitioner wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Assurance Practitioner]

[Date]

This representation letter is provided in connection with your review of the financial report of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the financial report of [name of entity] is not prepared, in all material respect, in accordance with [applicable financial reporting framework].

We acknowledge our responsibility for ensuring that the financial report is prepared and presented [fairly] in accordance with [indicate applicable financial reporting framework] and confirm that the financial report is free of material misstatement including omissions.

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

[Include representations required by this [ASRE Auditing Standard on Review Engagements](#) (paragraph [5425](#)) and those relevant to the entity. Such representations may include the following examples.]

1. We have made available to you:

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- (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
  - (b) minutes of all meetings of [shareholders, directors, committees of directors, Boards of Management].
2. We have disclosed to you the results of our assessment of the risk that the [financial report] may be materially misstated as a result of fraud.
3. There:
  - (a) has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
  - (b) has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
  - (c) have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.
4. We are responsible for, and have established and maintained, an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been recorded properly in the accounting records underlying the financial report.
5. We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.
6. We have considered the requirements of Accounting Standard AASB 136 Impairment of Assets, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.
7. We believe the effects of uncorrected misstatements summarised in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial report taken as a whole.

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8. The following have been recorded and/or disclosed properly in the financial report:
- (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
  - (b) share options, warrants, conversions or other requirements;
  - (c) arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
  - (d) agreements to repurchase assets previously sold;
  - (e) material liabilities or assets (including contingent liabilities/assets and those arising under derivative financial instruments);
  - (f) unasserted claims or assessments that our lawyer(s) has advised us are probable of assertion; and
  - (g) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
9. There are no violations or possible violations of laws or regulations the effects of which should be considered for disclosure in the financial report or as a basis for recording an expense.
10. The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all significant items of property, plant and equipment that have been abandoned or are otherwise unusable.
11. The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.
12. There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current

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assets, such as investments or intangible assets, other than those disclosed in the financial report.

13. We have no plans to abandon any significant lines of product, or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of its net realisable value.
14. No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the financial report.

We understand that your review was made in accordance with [Auditing Standard on Review Engagements ASRE 2400 \*Reviews of Financial Reports Performed by an Assurance Practitioner Who is Not the Auditor of the Entity\*](#) and was, therefore, designed primarily for the purpose of expressing a conclusion on the financial report of [the entity], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

Notes:

*[The above example representation letter may need to be amended in certain circumstances. The following illustrate some of those situations.]*

(a) Exceptions

Where matters are disclosed in the financial report, the associated representation needs to be amended, for example:

- If a subsequent event has been disclosed, Item 14 (above) could be modified to read:

“Except as discussed in Note X to the financial report, no events have occurred ....”
- If the entity has plans that impact the carrying values of assets and liabilities, Item 13 (above) could be modified to read:

“The entity has no plans or intentions that may materially affect the carrying amount or

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classification of assets and liabilities, except for our plan to dispose of segment X, as disclosed in note Y in the in the financial report, and which is discussed in the minutes of the meeting of the governing body<sup>9</sup> held on [date]”.

(b) Other Required Information

Certain entities may be required to include other information in the financial report, for example, performance indicators for government entities. In addition to identifying this information and the applicable financial reporting framework in paragraphs 1 and 2 of the example Management Representation Letter, an additional paragraph similar to the following may be appropriate:

“The disclosures of key performance indicators have been prepared and presented in conformity with [relevant statutory requirements] and we consider the indicators reported to be relevant to the stated objectives of the [entity]”.

(c) Management’s Opinions and Representations in the Notes to the Financial Statements

Where the notes to the financial statements include opinions and representations by management, such matters may be addressed in the representation letter. This may include, for example, notes relating to the anticipated outcome of litigation, the intention and ability of the entity regarding held-to-maturity investments and plans necessary to support the going concern basis.

(d) Environmental Matters

In situations where there are environmental matters that may, but probably will not, require an outflow of resources, this may be reflected in an addition to Item 9 (above), for example:

“However, the [entity] has received a notice from the Environmental Protection Agency that it may be required to share in the cost of cleanup of the [name] waste disposal site. This matter has been disclosed in Note A in the financial report and we believe that the disclosure and estimated contingent loss is reasonable based on available information.”

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<sup>9</sup> Insert the appropriate term, such as “Directors” or “Board of Management”.

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(e) Compliance

If, as part of the review, the assurance practitioner is required also to report on the entity's compliance with laws and regulations, a representation may be appropriate acknowledging that management is responsible for the entity's compliance with applicable laws and regulations and that the requirements have been met.

(f) Other Matters

Additional representations that may be appropriate in specific situations may include the following:

- Justification for a change in accounting policy.
- The work of an expert has been used.
- Arrangements for controlling the dissemination of the financial report and assurance practitioner's review report on the Internet.

## **Appendix 3**

(Ref: Para. )

### **ANALYTICAL PROCEDURES THE ASSURANCE PRACTITIONER MAY CONSIDER WHEN PERFORMING A REVIEW OF A FINANCIAL REPORT**

The analytical procedures carried out in a review of a financial report are determined by the assurance practitioner exercising professional judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement, nor is the Appendix intended to serve as a program or checklist in the conduct of a review.

Examples of analytical procedures the assurance practitioner may consider when performing a review of a financial report include the following:

- Comparing the financial report with the financial report of the immediately preceding period, with the financial report of the corresponding period of the preceding financial year, with the financial report that was expected by management for the current period, and with the most recent audited annual financial report.
- Comparing the current financial report with anticipated results, such as budgets or forecasts. For example, comparing tax balances and the relationship between the provision for income taxes to pre-tax income in the current financial report with corresponding information in:
  - ◆ budgets, using expected rates; and
  - ◆ financial information for prior periods.
- Comparing the current financial report with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the assurance practitioner. The assurance practitioner develops such expectations by identifying and applying relationships that reasonably are expected to exist based on the assurance practitioner's understanding of the entity and of the industry in which the entity operates.

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- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial report with corresponding relationships in the financial report of prior periods, for example, expense by type as a percentage of revenue, assets by type as a percentage of total assets, and percentage of change in revenue to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
  - ◆ by period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts;
  - ◆ by product line or source of revenue;
  - ◆ by location, for example by component;
  - ◆ by attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen; and
  - ◆ by several attributes of the transaction, for example, revenue by product and month.

## **Appendix 4**

(Ref: Para. )

### **ILLUSTRATIVE DETAILED PROCEDURES THAT THE ASSURANCE PRACTITIONER MAY CONSIDER WHEN PERFORMING A REVIEW ENGAGEMENT**

1. The enquiry and analytical procedures carried out in a review engagement are determined by the assurance practitioner exercising professional judgement. The procedures listed below are for illustrative purposes only and are considered by the assurance practitioner, who is presumed to have obtained an understanding of the entity and its environment, including internal control relative to the preparation of the financial report. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

#### *General*

2. Discuss terms and scope of the engagement with the engagement team.
3. Enquire whether all financial information is recorded:
  - (a) completely;
  - (b) promptly; and
  - (c) after the necessary authorisation.
4. Enquire about the accounting policies and consider whether:
  - (a) they comply with the applicable financial reporting framework;
  - (b) they have been applied appropriately; and
  - (c) they have been applied consistently and, if not, consider whether disclosure has been made of any changes in the accounting policies.

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5. Enquire about the policies and procedures to assess impairment of assets and any consequential estimation of recoverable amount.
6. Enquire about the policies and procedures to determine the fair value of assets and liabilities.
7. Enquire if actions taken at meetings of shareholders or those charged with governance which affect the financial report have been appropriately reflected therein.
8. Enquire about plans to dispose of major assets or business/geographical segments.
9. Obtain the financial report and discuss it with management and those charged with governance.
10. Consider the adequacy, classification and presentation of disclosures in the financial report.
11. Compare the outcomes shown in the current period financial report with those shown in financial reports for comparable prior periods and, if available, with the relevant budgets and forecasts.
12. Obtain explanations from management for any unusual fluctuations or inconsistencies in the financial report.

*Cash*

13. Obtain the bank reconciliations. Enquire about any old or unusual reconciling items.
14. Enquire about transfers between cash accounts for the period immediately before and after the review date.
15. Enquire whether there are any restrictions on cash accounts.

*Receivables*

16. Enquire about the accounting policies for initially recording trade receivables and determine whether any allowances for doubtful debts are made on such transactions.
17. Obtain a schedule of receivables and determine whether the total agrees with the trial balance.

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18. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
19. Obtain an aged analysis of the trade receivables. Enquire about the reason for unusually large accounts, credit balances on accounts or any other unusual balances and enquire about the collectibility of aged receivables.
20. Discuss with management the classification of receivables, including non-current balances, net credit balances and amounts due from shareholders, those charged with governance, and other related parties in the financial report.
21. Enquire about the methods for identifying and calculating the impairment of assets and consider them for reasonableness.
22. Enquire whether receivables have been pledged, factored or discounted.
23. Enquire about procedures applied to ensure that a proper cut-off of revenue transactions and sales returns has been achieved.
24. Enquire whether receivables balances represent goods shipped on consignment and, if so, whether adjustments have been made to reverse these transactions and include the goods in inventory.
25. Enquire whether any large credits relating to recorded income have been issued after the balance sheet reporting period and whether provision has been made for such amounts.

*Inventories*

26. Obtain the inventory list and determine whether:
  - (a) the total agrees with the balance in the trial balance; and
  - (b) the list is based on a physical count of inventory.
27. Enquire about the method for counting inventory.
28. Where a physical count was not carried out on the date of the reporting period, enquire whether:
  - (a) a perpetual inventory system is used and whether periodic comparisons are made with actual quantities on hand; and

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- (b) an integrated cost system is used and whether it has produced reliable information in the past.
29. Discuss adjustments made resulting from the last physical inventory count.
30. Enquire about procedures applied to control cut-off and any inventory movements at period end.
31. Enquire about the basis used in valuing each inventory classification and, in particular, regarding the elimination of intra-group income. Enquire whether inventory is valued at the lower of cost and net realisable value (or lower of cost and current replacement cost for not-for-profit organisations).
32. Consider the consistency with which inventory valuation methods have been applied, including factors such as material, labour and overhead.
33. Compare amounts of major inventory categories with those of prior periods and with those anticipated for the current period. Enquire about major fluctuations and differences.
34. Compare inventory turnover with that in previous periods.
35. Enquire about the method used for identifying slow moving and obsolete inventory and whether such inventory has been accounted for at the lower of cost and net realisable value.
36. Enquire whether any inventory has been consigned to the entity and, if so, whether adjustments have been made to exclude such goods from inventory.
37. Enquire whether any inventory is pledged, stored at other locations or on consignment to others and consider whether such transactions have been accounted for appropriately.

*Investments (Including Investments in Associates and Financial Instruments)*

38. Obtain a schedule of investments at the date of the reporting period and determine whether it agrees with the trial balance.
39. Enquire about the accounting policies applied to investments.

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40. Enquire from management about the carrying amounts of investments. Consider whether there are any realisation or other impairment problems.
41. Consider whether there has been proper accounting for gains and losses and investment income.
42. Enquire about the classification of long-term and short-term investments.

*Property, Plant and Equipment and Depreciation*

43. Obtain a schedule of the property, plant and equipment indicating the cost and accumulated depreciation and determine whether it agrees with the trial balance.
44. Enquire about the accounting policy applied regarding residual values, provisions to allocate the cost of property, plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether the property, plant and equipment have suffered an impairment in value.
45. Discuss with management significant additions and disposals to property, plant and equipment accounts and accounting for gains and losses on disposals or de-recognition. Enquire whether all such transactions have been accounted for.
46. Enquire about the consistency with which the depreciation method and rates have been applied and compare depreciation accumulations with prior years.
47. Enquire whether there are any restrictions on the property, plant and equipment.
48. Discuss whether lease agreements have been properly reflected in the financial report in conformity with current accounting pronouncements.

*Prepaid Expenses, Intangibles and Other Assets*

49. Obtain schedules identifying the nature of these accounts and discuss with management the recoverability thereof.

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50. Enquire about the basis for recording these accounts and the amortisation methods used.
51. Compare balances of related expense accounts with those of prior periods and discuss significant variations with management.
52. Discuss the classification basis between current and non-current accounts with management.

*Loans Payable*

53. Obtain from management a schedule of loans payable and determine whether the total agrees with the trial balance.
54. Enquire whether there are any loans where management has not complied with the provisions of the loan agreement and, if so, enquire as to management's actions and whether appropriate adjustments have been made in the financial report.
55. Consider the reasonableness of interest expense in relation to loan balances.
56. Enquire whether loans payable are secured.
57. Enquire whether loans payable have been appropriately classified between current and non-current.

*Trade Payables*

58. Enquire about the accounting policies for initially recording trade payables and whether the entity is entitled to any allowances given on such transactions.
59. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
60. Obtain a schedule of trade payables and determine whether the total agrees with the trial balance.
61. Enquire whether balances are reconciled with the creditors' statements and compare with prior period balances. Compare turnover with prior periods.
62. Consider whether there could be material unrecorded liabilities.

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63. Enquire whether payables to shareholders, those charged with governance and other related parties are disclosed separately.

*Other Liabilities and Contingent Liabilities*

64. Obtain a schedule of the other liabilities and determine whether the total agrees with the trial balance.
65. Compare major balances of related expense accounts with similar accounts for prior periods.
66. Enquire about approvals for such other liabilities, terms of payment, compliance with terms, collateral and classification.
67. Enquire about the method for determining other liabilities.
68. Enquire as to the nature of amounts disclosed in contingent liabilities and commitments.
69. Enquire whether any actual or contingent liabilities exist which have not been recognised/disclosed in the financial report. If so, discuss with management and/or those charged with governance whether provisions need to be made in the accounts or whether disclosure should be made in the notes to the financial report.

*Income and Other Taxes*

70. Discuss with management if there were any events, including disputes with taxation authorities, which could have a significant effect on the taxes payable by the entity.
71. Consider the tax expense in relation to the entity's income for the period.
72. Discuss with management the adequacy of the recognised deferred tax assets and/or liabilities and amounts in respect of prior periods.

*Subsequent Events*

73. Obtain from management the latest financial report and compare it with the financial report being reviewed or with those for comparable periods from the preceding year.

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74. Enquire about events after the balance sheet date that would have a material effect on the financial report under review and, in particular, enquire whether:
- (a) any substantial commitments or uncertainties have arisen subsequent to the balance sheet date;
  - (b) any significant changes in the share capital, long-term debt or working capital have occurred up to the date of enquiry; and
  - (c) any unusual adjustments have been made during the period between the balance sheet date and the date of enquiry.

Consider the need for adjustments or disclosure in the financial report.

75. Obtain and read the minutes of meetings of shareholders, those charged with governance and appropriate committees subsequent to the review date.

*Litigation*

76. Discuss with management whether the entity is the subject of any legal actions - threatened, pending or in process. Consider the effect on the financial report.

*Equity*

77. Obtain and consider a schedule of the transactions in the equity accounts, including equity contributions, buy-backs of the entity's own equity instruments and dividends.
78. Enquire whether there are any restrictions on retained earnings or other equity accounts.

*Operations*

79. Compare results with those of prior periods and those expected for the current period. Discuss significant movements/variations with management.
80. Discuss whether the recognition of major revenue and expense items have taken place in the appropriate periods.

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81. Enquire about the policies and procedures related to accrued revenue and/or expenses.
82. Consider and discuss with management the relationship between related items in the revenue accounts and assess the reasonableness thereof in the context of similar relationships for prior periods and other available information.

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**Appendix 5**

(Ref: Para. )

**EXAMPLE REVIEW ENGAGEMENT REPORTS**

The following example review reports are to be used as a guide only and will need to be adapted according to the engagement requirements and circumstances.

**AUASB Information Note**

This exposure draft has been developed in the context of the published proposed amendments to the *Corporations Act 2001* (the Act) *Corporations Regulations 2001* (the Regulations) in respect of certain companies limited by guarantee. At the date of this exposure draft, the proposed amendments to the Act and the Regulations have not been approved by the Parliament of Australia. Readers are advised that the AUASB may decide to make amendments and other editorial changes to this document, including the illustrative review report (Example 1) below, in response to any changes to the proposed amendments to the Act and the Regulations.

**Example 1: Financial report of a company limited by guarantee prepared in accordance with the *Corporations Act 2001*. The financial reporting framework is designed to achieve fair presentation.**

**EXAMPLE OF AN UNMODIFIED ASSURANCE PRACTITIONER'S REVIEW REPORT ON A FINANCIAL REPORT**

**INDEPENDENT AUDITOR'S REVIEW REPORT**

To the members of [name of company]

**Report on the Financial Report**

We have reviewed the accompanying financial report of [name of company], which comprises the statement of financial position as at

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31 December 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.<sup>10</sup>

**Directors' Responsibility for the Financial Report**

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 20XX and its performance for the year ended on that date; and complying with the Australian Accounting Standards and *Corporations Regulations 2001*. ASRE 2400 requires that we comply with the ethical requirements relevant to the review of the financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the

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<sup>10</sup> When the auditor is aware that the half-year financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited half-year financial report is presented.

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independence declaration required by the *Corporations Act 2001*, which has been given to the directors of [name of company], would be in the same terms if given to the directors as at the time of this review report.<sup>11</sup>

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of [name of company] is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the company's financial position as at 31 December 20XX and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and *Corporations Regulations 2001*.

**Report on Other Legal and Regulatory Requirements**

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

[Assurance practitioner's signature]<sup>12</sup>

[Date of the assurance practitioner's review report]<sup>13</sup>

[Assurance practitioner's address]

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<sup>11</sup> Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

<sup>12</sup> The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

<sup>13</sup> The date of the auditor's report is the date the auditor signs the report.

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**Example 21: Financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation.**

EXAMPLE OF AN UNMODIFIED ASSURANCE PRACTITIONER'S  
REVIEW REPORT ON A FINANCIAL REPORT

*INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT*

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies]<sup>14</sup>, other selected explanatory notes [and the declaration of those charged with governance]<sup>15</sup>,<sup>16</sup><sup>17</sup>.

*[Title of those charged with governance]' Responsibility for the [period] Financial Report*

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with [Auditing Standard on Review Engagements ASRE 2400 \*Review of a Financial Report Performed by an Assurance Practitioner \(Including the Review of a\*](#)

<sup>14</sup> Insert relevant statement or description of accounting policies.

<sup>15</sup> Amend this term to reflect the appropriate title for those charged with governance.

<sup>16</sup> When the assurance practitioner is aware that the financial report will be included in a document that contains other information, the assurance practitioner may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

<sup>17</sup> The assurance practitioner may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

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*Financial Report of a Company Limited by Guarantee*), in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. ASRE-2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*[Independence*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies<sup>18</sup>].

*Conclusion*

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of<sup>19</sup>”] the financial position of the [type of entity] as at [date], and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the assurance practitioner’s review report will vary depending on the nature of the assurance practitioner’s other reporting responsibilities.]

[Assurance Practitioner’s signature<sup>20</sup>]

[Date of the Assurance Practitioner’s review report]

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<sup>18</sup> Use when appropriate.

<sup>19</sup> Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

<sup>20</sup> The assurance practitioner’s review report is required to be signed in one or more of the name of the assurance practitioner’s firm, the name of the assurance practitioner’s company or the personal name of the assurance practitioner as appropriate.

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***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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| [Assurance Practitioner's address]

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**Example 32: Financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation.**

EXAMPLE OF AN ASSURANCE PRACTITIONER'S REVIEW REPORT  
WITH A QUALIFIED CONCLUSION FOR A DEPARTURE FROM THE  
APPLICABLE FINANCIAL REPORTING FRAMEWORK

*INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT*

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies,<sup>21</sup>] other selected explanatory notes [and the declaration of those charged with governance<sup>22</sup>] <sup>23 24</sup>

*[Title of those charged with governance]' Responsibility for the [period] Financial Report*

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with [Auditing Standard on Review Engagements ASRE 2400 Review of a Financial Report](#)

<sup>21</sup> Insert relevant statement or description of accounting policies.

<sup>22</sup> Amend this term to reflect the appropriate title for those charged with governance.

<sup>23</sup> When the assurance practitioner is aware that the financial report will be included in a document that contains other information, the assurance practitioner may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

<sup>24</sup> The assurance practitioner may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

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***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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*Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. ASRE- 2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*[Independence]*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies<sup>25</sup>].

*Basis for Qualified Conclusion*

Based on information provided to us by management, [name of entity] has excluded from property, plant and equipment and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property, plant and equipment would be increased by \$\_\_\_\_\_, long-term debt by \$\_\_\_\_\_, and net income and earnings per share would be increased (decreased) by \$\_\_\_\_\_ and \$\_\_\_\_\_ respectively for the [period] ended on that date.

*Qualified Conclusion*

Based on our review, which is not an audit, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”<sup>26</sup>] the financial position of the [type of entity] as at [date], and of its financial

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<sup>25</sup> Use when appropriate.

<sup>26</sup> Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

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performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

**Report on Other Legal and Regulatory Requirements**

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

[Assurance Practitioner's signature<sup>27</sup>]

[Date of the Assurance Practitioner's review report]

[Assurance Practitioner's address]

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<sup>27</sup> The assurance practitioner's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the assurance practitioner as appropriate.

**Proposed Auditing Standard on Review Engagements ASRE 2400  
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Guarantee) (Re-issuance of ASRE 2400)**

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**Example 43: Financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation.**

EXAMPLE OF AN ASSURANCE PRACTITIONER'S REVIEW REPORT  
WITH A QUALIFIED CONCLUSION FOR A LIMITATION ON SCOPE  
NOT IMPOSED BY MANAGEMENT

*INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT*

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies<sup>28</sup>], other selected explanatory notes [and the declaration of those charged with governance<sup>29</sup>]<sup>30 31</sup>

*[Title of those charged with governance]' Responsibility for the [period] Financial Report*

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes: establishing and maintaining internal control relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with [Auditing Standard on Review Engagements ASRE 2400 Review of a Financial Report](#)

<sup>28</sup> Insert relevant statement or description of accounting policies.

<sup>29</sup> Amend this term to reflect the appropriate title for those charged with governance.

<sup>30</sup> When the assurance practitioner is aware that the financial report will be included in a document that contains other information, the assurance practitioner may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

<sup>31</sup> The assurance practitioner may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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*Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. ASRE-2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*[Independence]*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies<sup>32</sup>.

*Basis for Qualified Conclusion*

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$XXX included in the [period] financial report. The [type of entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial report.

*Qualified Conclusion*

Except for the adjustments to the [period] financial report that we might have become aware of had it not been for the situation described above, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of<sup>33</sup>”] the financial position of the [type of entity] as at [date], and of its financial

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<sup>32</sup> Use when appropriate.

<sup>33</sup> Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

**Report on Other Legal and Regulatory Requirements**

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

[Assurance Practitioner's signature<sup>34</sup>]

[Date of the Assurance Practitioner's review report]

[Assurance Practitioner's address]

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<sup>34</sup> The assurance practitioner's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the assurance practitioner as appropriate.

**Proposed Auditing Standard on Review Engagements ASRE 2400  
Review of a Financial Report Performed by an Assurance Practitioner  
(Including the Review of a Financial Report of a Company Limited by  
Guarantee) (Re-issuance of ASRE 2400)**

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**Example 54: Financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation.**

EXAMPLE OF AN ASSURANCE PRACTITIONER'S REVIEW REPORT  
WITH AN ADVERSE CONCLUSION FOR A DEPARTURE FROM THE  
APPLICABLE FINANCIAL REPORTING FRAMEWORK

*INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT*

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies<sup>35</sup>], other selected explanatory notes [and the declaration of those charged with governance.<sup>36</sup>]<sup>37</sup> <sup>38</sup>

*[Title of those charged with governance]' Responsibility for the [period] Financial Report*

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes: establishing and maintaining internal control relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with [Auditing Standard on Review Engagements ASRE 2400 Review of a Financial Report](#)

<sup>35</sup> Insert relevant statement or description of accounting policies.

<sup>36</sup> Amend this term to reflect the appropriate title for those charged with governance.

<sup>37</sup> When the assurance practitioner is aware that the financial report will be included in a document that contains other information, the assurance practitioner may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

<sup>38</sup> The assurance practitioner may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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*Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework]. ASRE 2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*[Independence]*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies<sup>39</sup>].

*Basis for Adverse Conclusion*

Commencing this period, the [title of those charged with governance] of the [type of entity] ceased to consolidate the financial reports of its subsidiary companies since the [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the financial report would have been materially different.

*Adverse Conclusion*

Our review indicates, because the [type of entity's] investment in subsidiary companies is not accounted for on a consolidation basis, as described in the preceding paragraph, this [period] financial report of [name of entity] does not present fairly, in all material respects, [or "give a true and fair view of"<sup>40</sup>] the financial position of the [type of entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

<sup>39</sup> Use when appropriate.

<sup>40</sup> Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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**Report on Other Legal and Regulatory Requirements**

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

[Assurance Practitioner's signature<sup>41</sup>]

[Date of the Assurance Practitioner's review report]

[Assurance Practitioner's address]

Draft

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<sup>41</sup> The assurance practitioner's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the assurance practitioner as appropriate.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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**Example 65: Financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation**

EXAMPLE OF AN ASSURANCE PRACTITIONER'S REVIEW REPORT  
WITH A QUALIFIED CONCLUSION ON THE BASIS THAT  
COMPARATIVES HAVE NOT BEEN REVIEWED OR AUDITED

*INDEPENDENT ASSURANCE PRACTITIONER'S REVIEW REPORT*

To [appropriate addressee]

**Report on the [appropriate title for the financial report] Financial Report**

We have reviewed the accompanying [period] financial report of [name of entity], which comprises the balance sheet as at [date], and the income statement, statement of changes in equity and cash flow statement for the [period] ended on that date, a [statement or description of accounting policies<sup>42</sup>], other selected explanatory notes [and the declaration of those charged with governance.<sup>43</sup><sup>44</sup><sup>45</sup>

*[Title of those charged with governance]' Responsibility for the [period] Financial Report*

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework]. This responsibility includes: establishing and maintaining internal control relevant to the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Assurance Practitioner's Responsibility*

Our responsibility is to express a conclusion on the [period] financial report based on our review. We conducted our review in accordance with [Auditing Standard on Review Engagements ASRE 2400 \*Review of a Financial Report\*](#)

<sup>42</sup> Insert relevant statement or description of accounting policies.

<sup>43</sup> Amend this term to reflect the appropriate title for those charged with governance.

<sup>44</sup> When the assurance practitioner is aware that the financial report will be included in a document that contains other information, the assurance practitioner may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

<sup>45</sup> The assurance practitioner may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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*Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)*, in order to state whether, on the basis of the procedures described, anything has come to our attention that causes us to believe that the financial report is not presented fairly, in all material respects, in accordance with the [applicable financial reporting framework. ASRE 2400 requires us to comply with the requirements of the applicable code of professional conduct of a professional accounting body.

A review of a [period] financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*[Independence]*

In conducting our review, we have complied with the independence requirements of the Australian professional accounting bodies<sup>46</sup>].

*Basis for Qualified Conclusion*

As this is the first year that [name of entity] has prepared a [period] financial report and had it reviewed, the income statement, the balance sheet, statement of changes in equity, cash flow statement, summary of significant accounting policies and other explanatory notes<sup>47</sup> for the preceding corresponding [period] have not been reviewed or audited. Accordingly, we are not in a position to, and do not, express any assurance in respect of the comparative information for the [period] ended [date of preceding corresponding period]. The financial report for the preceding financial year ended [date of preceding financial year] has been audited and therefore our review conclusion is not qualified in respect of the comparative information for the year ended [date of preceding financial year] included in the balance sheet.

*Qualified Conclusion*

Except for the effect, if any, on the comparatives for the preceding corresponding [period] that may result from the qualification in the preceding paragraph, based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the [period] financial report of

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<sup>46</sup> Use when appropriate.

<sup>47</sup> Insert relevant description of the summary of significant accounting policies and other explanatory notes.

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
***Review of a Financial Report Performed by an Assurance Practitioner***  
***(Including the Review of a Financial Report of a Company Limited by***  
***Guarantee) (Re-issuance of ASRE 2400)***

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[name of entity] does not present fairly, in all material respects, [or “give a true and fair view<sup>48</sup>”] the financial position of the [type of entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

**Report on Other Legal and Regulatory Requirements**

[Form and content of this section of the assurance practitioner’s review report will vary depending on the nature of the assurance practitioner’s other reporting responsibilities.]

[Assurance Practitioner’s signature<sup>49</sup>]

[Date of the Assurance Practitioner’s review report]

[Assurance Practitioner’s address]

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<sup>48</sup> Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*, contains information on the wording of reports that may be helpful.

<sup>49</sup> The assurance practitioner’s review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the assurance practitioner as appropriate.

**Proposed Auditing Standard on Review Engagements ASRE 2400  
*Review of a Financial Report Performed by an Assurance Practitioner  
 (Including the Review of a Financial Report of a Company Limited by  
 Guarantee) (Re-issuance of ASRE 2400)***

**Appendix 6**

(Ref: Para. )

**STANDARDS APPLICABLE TO REVIEW  
 ENGAGEMENTS**

The pre-existing Standard AUS 902 Review of Financial Reports had broad application covering reviews of (i) financial information, both historical and prospective; and (ii) non-financial information. The following table and diagrams identify the applicable AUASB Standard in each of the various review engagement types that were previously conducted under AUS 902.

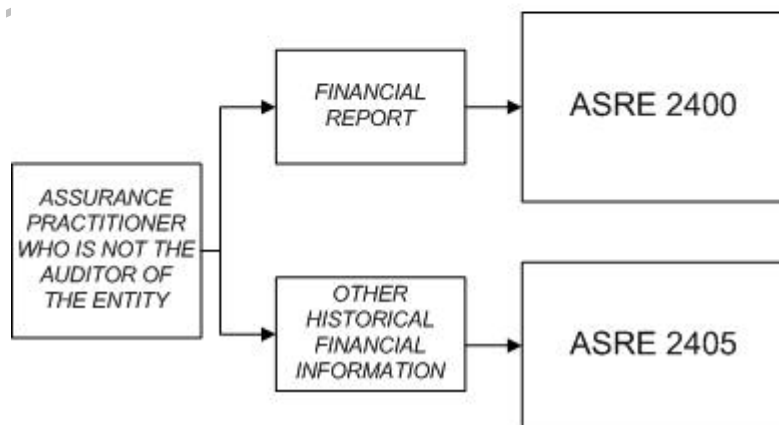
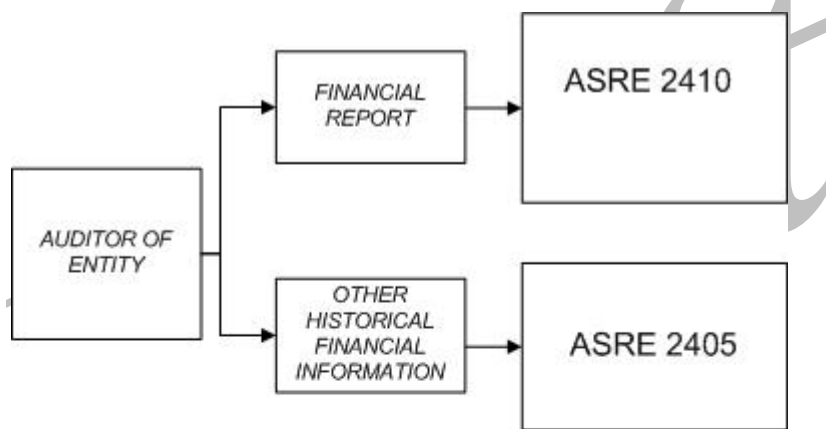
<b>REVIEW ENGAGEMENT TYPE [Previously conducted under AUS 902]</b>	<b>APPLICABLE AUASB STANDARDS</b>
Review of a financial report comprising historical financial information. (assurance practitioner who is not the auditor)	<del>ASRE 2400</del> <i>Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity</i>
Review of historical financial information other than a financial report.	ASRE 2405 <i>Review of Historical Financial Information Other than a Financial Report</i>
Review of a financial report comprising historical financial information (auditor).	ASRE 2410 <i>Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity</i>
Review other than a review of historical financial information covered by the ASREs.	ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
Review of an entity's compliance with internally or externally imposed requirements as measured by the suitable criteria.	ASAE 3100 <i>Compliance Engagements</i>
Reviews of performance against which the extent of economy, efficiency or effectiveness of an activity may be assessed	ASAE 3500 <i>Performance Engagements</i>

**Proposed Auditing Standard on Review Engagements ASRE 2400**  
*Review of a Financial Report Performed by an Assurance Practitioner*  
*(Including the Review of a Financial Report of a Company Limited by*  
*Guarantee)* (Re-issuance of ASRE 2400)

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**Diagram 1**

Review Standards applicable to Reviews of Financial Reports (comprising historical financial information), and other Historical Financial Information. [To be read in conjunction with the Table above.]

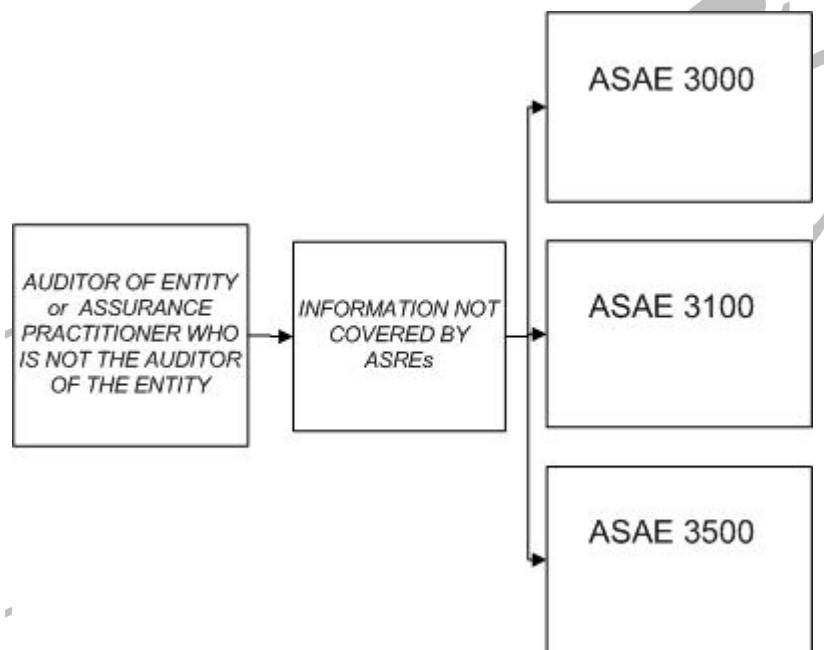


**Proposed Auditing Standard on Review Engagements ASRE 2400**  
*Review of a Financial Report Performed by an Assurance Practitioner*  
*(Including the Review of a Financial Report of a Company Limited by*  
*Guarantee) (Re-issuance of ASRE 2400)*

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**Diagram 2**

Standards applicable to Review Engagements, not covered by ASREs.  
[To be read in conjunction with the Table above.]



**Tables of Differences — ASRE 2400 (Revised and Redrafted) and Extant ASRE 2400**

**Underlying Standard**

ISRE 2400 *Engagements to Review Financial Statements* 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 — ASRE 2400 and ~~Extant~~ existing ASRE 2400**

The table below details the main differences (excluding editorial amendments) between this proposed Auditing Standard and ~~existing extant~~ ASRE 2400.

**ASRE 2400 (Revised) Requirements not in existing ASRE**

Item #	ASRE (Revised) Para. #	ASRE (Revised) Requirements	Commentary
<b>General</b>			
1	-	-	As ASRE 2400 (revised) is to be used for the review of a financial report of certain companies limited by guarantee and so will need to be a legislative instrument made under section 336 of the <i>Corporations Act 2001</i> (the Act).  The existing standard is not a legislative instrument as its application was not for reviews under the Act.
<b>Application</b>			
2	1(a)	This Auditing Standard on Review Engagements applies to:  (a). a review by an assurance practitioner of a financial report of a company limited by guarantee in accordance with the <i>Corporations Act 2001</i> ;	New application clause for companies limited by guarantee that elect to have their financial report reviewed instead of audited, in accordance with corporations law reforms.

Item #	ASRE (Revised) Para. #	ASRE (Revised) Requirements	Commentary
<b>Introduction</b>			
3	4	<p><i>Transitional Provisions for Companies Limited by Guarantee</i></p> <p>In the first reporting period when a company limited by guarantee elects, under the <i>Corporations Act 2001</i>, to have its financial report reviewed and not audited, the assurance practitioner requested by the company to perform the review may, at the time, be the auditor of the company. Nothing in this Auditing Standard prevents that auditor from conducting the review in accordance with this Auditing Standard until such time as the auditor has completed due process to resign as auditor of the company. This provision does not apply to reviews of subsequent reporting period.</p>	Once off transitional provisions to enable a duly appointed auditor of an entity to use the standard even though resignation as auditor may be incomplete.
<b>Agreeing the Terms of the Engagement</b>			
4	12	<p><i>Preconditions for a Review</i></p> <p>The assurance practitioner shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:</p> <p>(a). for the preparation and fair presentation of the financial report;</p> <p>(b). for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and</p> <p>(c). to provide the assurance practitioner with:</p> <ul style="list-style-type: none"> <li>• access to information relevant to the preparation of the financial report;</li> <li>• additional information that the assurance practitioner may request for the purposes of the review engagement; and</li> </ul>	New requirements consistent with ASRE 2410 and the other clarity versions of the Auditing Standards.

Item #	ASRE (Revised) Para. #	ASRE (Revised) Requirements	Commentary
		<ul style="list-style-type: none"> <li>unrestricted access to persons from whom the assurance practitioner determines it necessary to obtain evidence</li> </ul>	
<b>Procedures for a Review of a Financial Report</b>			
5	16	In order to plan and conduct a review of a financial report, a recently appointed assurance practitioner, who has not previously performed a review or an audit of the entity’s financial report in accordance with relevant AUASB Standards, shall determine procedures to enhance their understanding of the entity and its environment, including its internal control, as it relates to the preparation of the entity’s financial report.	New requirement to improve a newly appointed practitioner with no previous experience of the entity, to enhance their understanding of the entity.
<b>Limitation on Scope Imposed by Management</b>			
6	38	Unless required by law or regulation, an assurance practitioner shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the auditor’s review.	New requirement to bring the standard in line with ASRE 2410
<b>Going Concern and Significant Uncertainties</b>			
7	44	In circumstances other than a going concern problem, the assurance practitioner shall consider adding an emphasis of matter paragraph to highlight a significant uncertainty that is adequately disclosed in the financial report, that came to the assurance practitioner’s attention, the resolution of which is dependent upon future events and which may materially affect the financial report.	<p>Revision of requirement to bring standard in line with ASRE 2410 and other clarity Auditing Standards. The practitioner <i>considers</i> adding an emphasis of matter paragraph. The accompanying guidance at paragraph A55 indicates that such uncertainty would ordinarily warrant an emphasis of matter paragraph.</p> <p>In the existing standard, the practitioner was required to include an emphasis of matter paragraph.</p>

**Significant Differences in Guidance — ASRE 2400 (Revised) and existing ASRE 2400**

Item #	ASRE (Revised) Para. #	Guidance	Commentary
<p><b>Other Considerations</b></p> <p><i>Considerations Specific to Public Sector Entities</i></p>			
8	A59	<p>The assurance practitioner needs to agree with the client the terms of engagement. When agreeing the terms of engagement, an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management’s responsibilities, the extent of the assurance practitioner’s responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the assurance practitioner. Nevertheless, an engagement letter setting out the matters referred to in paragraph A8 may be useful to both the public sector assurance practitioner and the client. Public sector assurance practitioners, therefore, consider agreeing with the client the terms of a review engagement by way of an engagement letter</p>	<p>New guidance relating to the public sector – wording from ASRE 2410.</p>
9	A60	<p>In the public sector, the assurance practitioner’s statutory obligations may mean that the public sector assurance practitioner cannot avoid such obligations and, consequently, may not be in a position to refuse to accept, to withdraw or to resign from a review engagement.</p>	<p>New guidance relating to the public sector – wording from ASRE 2410.</p>
10	A61	<p>The assurance practitioner needs to communicate to those charged with governance and consider the implications for the review when a matter comes to the assurance practitioner’s attention that causes the assurance practitioner to believe in the existence of fraud or non-compliance by the entity with laws and regulations. In the public sector, the assurance practitioner may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities.</p>	<p>New guidance relating to the public sector – wording from ASRE 2410.</p>

<b>Appendices</b>			
11	Appendix 5	Example 1	New illustrative example report relating to a review of a financial report of a company limited by guarantee.

Draft