

EXPOSURE DRAFT

**ED 06/15**

(April 2015)

# **Proposed Auditing Standard ASA 2015-1** *Amendments to Australian Auditing Standards*

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

Draft

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**Australian Government**

**Auditing and Assurance Standards Board**

## **Commenting on this Exposure Draft**

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 30 June 2015. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the Auditing and Assurance Standards Board (AUASB) website: [www.auasb.gov.au](http://www.auasb.gov.au)

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## PREFACE

### Reasons for Issuing ED 06/15

The AUASB issues exposure draft ED 06/15 of proposed Auditing Standard ASA 2015-1 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

### Main Proposals

This proposed Auditing Standard makes amendments to the following Auditing Standards:

ASA 210	<i>Agreeing the Terms of Audit Engagements</i> (27 October 2009, as amended)
ASA 220	<i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i> (27 October 2009, as amended)
ASA 230	<i>Audit Documentation</i> (27 October 2009, as amended)
ASA 510	<i>Initial Audit Engagements-Opening Balances</i> (27 October 2009, as amended)
ASA 540	<i>Auditing Accounting Estimates, Including Fair Value Estimates, and Related Disclosures</i> (27 October 2009, as amended)
ASA 580	<i>Written Representations</i> (27 October 2009, as amended)
ASA 600	<i>Special Considerations-Audits of a Group Financial Report</i> (Including the Work of Component Auditors) (27 October 2009, as amended)
ASA 710	<i>Comparative Information-Corresponding Figures and Comparative Financial Reports</i> (27 October 2009, as amended)

The amendments to the Australian Auditing Standards comprise changes the AUASB has identified through its review of existing “Aus” paragraphs through the compelling reasons process and auditor reporting related consequential changes arising from the proposed revision of:

- ASA 700 *Forming an Opinion and Reporting on a Financial Report*;
- ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report*;
- ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*;
- ASA 260 *Communication with Those Charged with Governance*;
- ASA 570 *Going Concern*; and

the proposed issuance of ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

In turn these consequential changes arise from changes made by the International Auditing and Assurance Standards Board (IAASB) as a result of the new and revised auditor reporting related International Standards on Auditing. Auditor Report project. 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 International Standards on Auditing) and to make appropriate consequential amendments to the Australian Auditing Standards.

## **Proposed Operative Date**

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

## **Request for Comments**

Comments are invited on this Exposure Draft of the proposed issuance of ASA 2015-1 *Amendments to Australian Auditing Standards* by no later than 30 June 2015. The AUASB is seeking comments from respondents on the following questions:

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

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

**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2015-1 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

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### **Conformity with Australian Auditing Standards**

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

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## **AUDITING STANDARD ASA 2015-1**

### *Amendments to Australian Auditing Standards*

#### **Application**

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

#### **Operative Date**

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

#### **Introduction**

##### **Scope of this Auditing Standard**

4. This Auditing Standard makes amendments to the Australian Auditing Standards. The amendments to the Australian Auditing Standards comprise changes the AUASB has identified through its review of existing “Aus” paragraphs through the compelling reasons process and auditor reporting related consequential changes arising from the proposed revision of:
  - *ASA 700 Forming an Opinion and Reporting on a Financial Report*;
  - *ASA 705 Modifications to the Opinion in the Independent Auditor’s Report*;
  - *ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*;
  - *ASA 260 Communication with Those Charged with Governance*;
  - *ASA 570 Going Concern*; andthe proposed issuance of *ASA 701 Communicating Key Audit Matters in the Independent Auditor’s Report*.
5. This Auditing Standard uses underlining, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this Auditing Standard do not include that underlining, striking out or other typographical material.

#### **Objective**

6. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
  - (a) *ASA 210 Agreeing the Terms of Audit Engagements* (27 October 2009, as amended)



- (b) *ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (27 October 2009, as amended)
- (c) *ASA 230 Audit Documentation* (27 October 2009, as amended)
- (d) *ASA 510 Initial Audit Engagements-Opening Balances* (27 October 2009, as amended)
- (e) *ASA 540 Auditing Accounting Estimates, Including Fair Value Estimates, and Related Disclosures* (27 October 2009, as amended)
- (f) *ASA 580 Written Representations* (27 October 2009, as amended)
- (g) *ASA 600 Special Considerations-Audits of a Group Financial Report (Including the Work of Component Auditors)* (27 October 2009, as amended)
- (h) *ASA 710 Comparative Information-Corresponding Figures and Comparative Financial Reports* (27 October 2009, as amended)

### **Definition**

7. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

### **Amendments to Auditing Standards**

#### **Amendments to ASA 210**

8. Paragraph 6(b) is updated as follows:

...

(Ref: Para. A11-A14, A20-~~Aus A20.1~~)

9. Paragraph 10(e) is amended to read as follows:

...

Reference to the expected form and content of any reports to be issued by the auditor; and  
(Ref: Para. A24)

10. The third bullet point of paragraph A23 is amended to read as follows:

...

- The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with ASA 701.<sup>1</sup>

11. The heading titled "Management-Imposed Limitation of Scope (Ref: Para. 6(b))" after paragraph A20 is deleted.

12. Paragraph Aus A20.1 is deleted.

13. A new paragraph A24 is inserted as follows:

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<sup>1</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

When the auditor is not required to communicate key audit matters, it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

14. As a result of the change made in paragraph 13 of this Auditing Standard, subsequent paragraph references are re-numbered and refers to these paragraphs are updated accordingly.

15. Appendix 1 is amended to read as follows:

...

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

...

.. and As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the planning and performing of the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves We also:

- performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- In making our risk assessments, we Obtain an understanding of consider internal control relevant to the Company's preparation of the financial report-audit in order to.<sup>2</sup> ....
- An audit also includes evaluating Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management, as well as
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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<sup>2</sup> This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

- ~~evaluating~~ Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

...

#### **Amendments to ASA 220**

16. Paragraph 4 is amended to read as follows:

~~...(Ref: Para. A2–Aus A2.1)~~

17. Paragraph 20(d) is amended to read as follows:

...

(d) ..... (Ref: Para. A26–~~A28~~, A29–A31)

18. Footnote 4 is amended to remove the comma after the phrase “paragraph Aus 12.1.”

19. Paragraph Aus A2.1 is deleted.

20. Paragraph Aus A5.1 is amended to read as follows:

~~Examples of independence requirements that may be applicable are addressed in the Corporations Act 2001, Part 2M.3, Division 3, and the relevant ethical requirements<sup>#</sup> in ASA 102.~~

21. Paragraph Aus A6.1 is deleted.

22. Paragraph Aus A6.2 is deleted.

23. New Paragraph A28 is inserted after existing Paragraph A27 as follows: (subsequent paragraphs references are renumbered upwards by one)

When ASA 701<sup>3</sup> applies, the conclusions reached by the engagement team in formulating the auditor’s report include determining:

- The key audit matters to be included in the auditor’s report;
- The key audit matters that will not be communicated in the auditor’s report in accordance with paragraph 14 of ASA 701, if any; and
- If applicable, depending on the facts and circumstances of the Entity and the audit, that there are no key audit matters to communicate in the auditor’s report.

In addition, the review of the proposed auditor’s report in accordance with paragraph 20(b) includes consideration of the proposed wording to be included in the Key Audit Matters section.

#### **Amendments to ASA 230**

24. The Conformity Statement section is updated to reflect there are no longer any conforming differences with the IAASB (requirement paragraph Aus 16.1 having been deleted above).

The following requirements are is additional to ISA 230:

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<sup>#</sup> See ASA 102.

<sup>3</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

- ~~The auditor shall adopt appropriate procedures for maintaining the confidentiality, safe custody, integrity, accessibility and retrievability of the audit documentation. [Paragraph Aus 16.1]~~
25. The effective date for the illustrative examples contained in Appendix 1 is amended to delete the wording “in effect for audits of a financial report in effect for audits of financial report for periods beginning on or after 1 January 2010...” to ensure consistency of effective date with the conforming amendments.
26. Paragraph 15 is updated as follows:  
...(Ref: Para. A23-~~Aus A23.2~~)
27. The heading directly below paragraph 16(b), titled “Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of the Audit Documentation” is deleted.
28. Paragraph Aus 16.1 is deleted.
29. The fourth bullet point in paragraph A10 is amended to read as follows:  
...
  - When ASA 701 applies,<sup>4</sup> the auditor’s determination of the key audit matters or the determination that there are no key audit matters to be communicated.
30. Paragraph Aus A23.1 is deleted.
31. Paragraph Aus A23.2 is deleted.
32. The heading directly below paragraph A24, titled “Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of the Audit Documentation (Ref: Para. Aus 16.1)” is deleted.
33. Paragraph Aus A24.1 is deleted.

#### **Amendments to ASA 510**

34. Paragraph A8(b) is amended to read as follows:  
[Deleted by the AUASB. Refer [Aus] Illustration 2A.]
35. Appendix 1 is amended to read as follows:

#### **Illustrations of Auditors’s Reports with Modified Opinions**

Note: Throughout these illustrative auditor’s reports, the Opinion section has been positioned first in accordance with ASA 700, and the Basis for Opinion section is positioned immediately after the Opinion section. Also, the first and last sentence that was included in the extant auditor’s responsibilities section is now subsumed as part of the new Basis for Opinion section.

#### **Illustration 1:**

For purposes of this illustrative auditor’s report, the following Ceircumstances described in paragraph A8(a) include the following are assumed:

- Audit of a financial report of an Entity other than a listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600<sup>5</sup> does not apply).

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<sup>4</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.<sup>6</sup>
- ....
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern in accordance with ASA 570.<sup>7</sup>
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.<sup>8</sup>
- The auditor has obtained the other information and includes an other information section in accordance with [proposed ISA 720.]
- Corresponding figures are presented, and the prior period’s financial report was audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and has decided to do so.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~

## **INDEPENDENT AUDITOR’S REPORT**

To the Shareholders of ABC Entity [or Other Appropriate Addressee]

### **Report on the Audit of the Financial Report<sup>9</sup>**

#### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity (the Entity), and notes to the financial report, comprising including a summary of significant accounting policies...

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report ~~paragraph~~, the accompanying financial report presents fairly, in all material respects, (or *give a true and fair view of*) the financial position of the ABC Entity...

#### **Basis for Qualified Opinion**

....

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<sup>5</sup> See ASA 600, *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

<sup>6</sup> See ASA 210, *Agreeing the Terms of Audit Engagements*.

<sup>7</sup> See ASA 570, *Going Concern*.

<sup>8</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

<sup>\*</sup> See proposed ISA 720 *The Auditor’s Responsibilities Relating to Other Information* [proposed standard being that based on December 2014 IAASB published board paper version.]

<sup>9</sup> The sub-title “Report on the Audit of the Financial Report”...

~~Our responsibility is to express an opinion on the financial report based on our audit. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.~~

### **Other Matter**

The financial report of the ABC Entity ...

### **Other Information**

~~[Reporting in accordance with proposed ISA 720.<sup>#</sup>]~~

### **Responsibilities of Management's and Those Charged with Governance Responsibility for the Financial Report**

~~[Reporting in accordance with ASA 700 – see *Illustration [Aus] 1A in ASA 700*.]~~

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

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

~~[Reporting in accordance with ASA 700 – see *Illustration [Aus] 1A in ASA 700*.]~~

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>10</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>11</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.~~

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

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<sup>#</sup> Paragraph 22 of proposed ISA 720 requires the auditor to consider the implications for the other information statement of a matter giving rise to a qualified or adverse opinion in accordance with ASA 705. See proposed ISA 720, Appendix 2, Illustration 6, for circumstances where the matter giving rise to a qualified opinion impacts on the conclusion provided on the other information.

<sup>10</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."<sup>22</sup>

<sup>11</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances."<sup>22</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>22</sup>

## **Report on Other Legal and Regulatory Requirements**

*[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]*

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

### **[Aus] Illustration 2A:**

For purposes of this illustrative auditor’s report, the following ~~Ceir~~circumstances described in paragraph A8(a) include the following are assumed:

- Audit of a financial report of an single listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600<sup>12</sup> does not apply).
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework) and the financial report is prepared under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.<sup>13</sup>
- .....
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern in accordance with ASA 570.<sup>14</sup>
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.<sup>15</sup>
- The auditor has obtained the other information and includes an other information section in accordance with [proposed ISA 720.<sup>\*</sup>]
- Corresponding figures are presented, and the prior period’s financial report was audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and has decided to do so.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.
- ~~The financial report is not prepared under the Corporations Act 2001.~~

## **INDEPENDENT AUDITOR’S REPORT**

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

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<sup>12</sup> See ASA 600, *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

<sup>13</sup> See ASA 210, *Agreeing the Terms of Audit Engagements*.

<sup>14</sup> See ASA 570, *Going Concern*.

<sup>15</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

\* See proposed ISA 720 *The Auditor’s Responsibilities Relating to Other Information* [proposed standard being that based on December 2014 IAASB published board paper version.]

### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC ~~Entity~~ Company Ltd., (the Company)... and notes to the financial report, ~~comprising~~ including a summary of significant accounting policies...

In our opinion,... *Basis for Qualified Opinion* section of our report ~~paragraph~~, the accompanying financial report of ABC ~~Entity~~ Company Ltd., is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's ~~registered scheme/disclosing Entity]~~'s...

### **Basis for Qualified Opinion**

....

~~Our responsibility is to express an opinion on the financial report based on our audit. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.~~

### **Other Matter**

The financial report of ~~the~~ ABC ~~Entity~~ Company...

### **Other Information**

[Reporting in accordance with proposed ISA 720.#]

### **Directors' Responsibilities Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

~~The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors<sup>2</sup> determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.~~

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

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

~~An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's~~

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<sup>#</sup> Paragraph 22 of proposed ISA 720 requires the auditor to consider the implications for the other information statement of a matter giving rise to a qualified or adverse opinion in accordance with ASA 705. See proposed ISA 720, Appendix 2, Illustration 6, for circumstances where the matter giving rise to a qualified opinion impacts on the conclusion provided on the other information.



preparation and fair presentation<sup>16</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>17</sup>—An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Report on the Remuneration Report\*

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

### Amendments to ASA 540

36. Paragraph 23 is amended to read as follows:

(a) ...significant risks; and

(b) ... (Ref. Para. A128); and

37. Paragraph Aus 23.1 is deleted.

38. Paragraph Aus A7.1 bullet point is deleted.

39. Paragraph A114 is amended to read as follows:

... Where applicable, The auditor may also determine that there is a need to draw the reader's attention to that an accounting estimate that has been identified as having a high significant estimation uncertainty by adding an Emphasis of Matter paragraph to the auditor's report is a key audit matter to be communicated in the auditor's report in accordance with ASA 701,<sup>18</sup> or may consider it necessary to include an Emphasis of Matter paragraph in the auditor's report (see ASA 706,<sup>19</sup> establishes requirements and provides guidance concerning such paragraphs. If the matter is determined to be a key audit matter, ASA 706 prohibits the auditor from including an Emphasis of Matter paragraph in the auditor's report.

40. Paragraph Aus A124.1 and its related footnote are deleted.

41. The Conformity Statement section is updated to reflect there are no longer any conforming differences with the IAASB (requirement paragraph Aus 23.1 having been deleted above).

The following requirement is addition to ISA 540:

- The auditor has include in the audit documentation:

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<sup>16</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>17</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

<sup>18</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

<sup>19</sup> See ASA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

- ◆ ~~The auditor's evaluation of any indicators of possible management bias in making accounting estimates, including whether the circumstances giving risk to the indicators of bias represent a risk of material misstatement due to fraud. [Ref: Para. Aus 23.1]~~

#### **Amendments to ASA 580**

42. Paragraph A1 (directly below the heading "Management from whom Written Representations are Requested") is renumbered as paragraph A2 and all following paragraph references renumbered upwards by one.
43. Paragraph Aus A19.1 is deleted.
44. Paragraph Aus A25.1 is deleted.
45. The effective date for the illustrative examples contained in Appendix 1 are amended to delete the wording "in effect for audits of a financial report in effect for audits of financial report for periods beginning on or after 1 January 2010..." for consistency of effective date with the conforming amendments.

#### **Amendments to ASA 600**

46. The heading directly below paragraph 49(e) titled "Reporting Considerations" is deleted.
47. Paragraph Aus 49.1 is deleted.
48. Paragraph Aus A12.1 is deleted.
49. Paragraph Aus A65.1 is deleted.
50. Appendix 1 is amended to read as follows:

Under the heading "Illustrations of Auditors' Reports with Modifications to the Opinion-General Purpose Financial Reports"

...[Aus] Illustration 1A...

Note: Throughout these illustrative auditors' reports, the Opinion section has been positioned first in accordance with ASA 700, and the Basis for Opinion section is positioned immediately after the Opinion section. Also, the first and last sentence that was included in the extant auditor's responsibilities section is now subsumed as part of the new Basis for Opinion section.

...

**Illustration 1** For purposes of this illustrative auditor’s report, the following circumstances are assumed. Circumstances include the following:

- Audit of a general purpose financial report prepared by management of the Entity the financial statements are prepared in accordance with Australian Accounting Standards.
- Audit of a financial report of an Entity other than a listed Entity using a fair presentation framework. The audit is a group audit (i.e., ASA 600 applies).
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- ~~In this example,~~ The group engagement team is unable to obtain sufficient appropriate audit evidence.....
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- ...
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

Example of a Qualified Opinion Where the Group Engagement Team Is Not Able to Obtain Appropriate Audit

~~Evidence on Which to Base the Group Audit Opinion~~

~~In this example, the group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognised at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.~~

~~The group engagement team has read the audited financial report of the component as at 30 June 20X1, including the auditor’s report thereon, and considered related financial information kept by group management in relation to the component.~~

~~In the group engagement partner’s judgement, the effect on the group financial report of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.~~

## **INDEPENDENT AUDITOR’S REPORT**

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

## **Report on the Audit of the Financial Report**

### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity Company ~~and its subsidiaries (the Group)~~, which comprises the ~~consolidated~~ statements of financial position as at 30 June 20X1, and the consolidated statements of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, ~~and notes to the financial report, comprising~~ including a summary of significant accounting policies ~~and other explanatory information....~~

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report ~~paragraph~~, the ~~accompanying~~ financial report presents fairly, in all material respects (or “*gives a true and fair view of*”), the financial position of ~~the Group~~ ABC Entity ~~and its subsidiaries~~ as at 30 June 20X1, and (of) their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards ~~and [relevant reporting framework].~~

### **Basis for Qualified Opinion**

...

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

### **Responsibilities of Management’s<sup>20</sup> Responsibility for the Financial Report**

[Reporting in accordance with ASA 700<sup>21</sup> – see Illustration [Aus] 2A in ASA 700.]

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards ~~and [relevant reporting framework],~~<sup>22</sup> and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

### **Auditor’s Responsibility Responsibilities for the Audit of the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 2A in ASA 700. The last two paragraphs which are applicable for audits of listed entities only would not be included.]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity’s

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<sup>21</sup> See ASA 700, *Forming an Opinion and Reporting on a Financial Report*.

<sup>22</sup> Where management’s responsibility is to prepare a financial report that gives a true and fair view, this may read: “Management is responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ...”

preparation and fair presentation<sup>23</sup> of the financial report in order to design audit procedures that is appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>24</sup>—An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

### **Report on Other Legal and Regulatory Requirements**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 2A in ASA 700.]

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

...

#### **[Aus] Illustration 1A:**

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

- Audit of a general purpose financial report prepared by management of the Entity the financial statements are prepared in accordance with Australian Accounting Standards.
- Audit of a listed company's financial report. The audit is a group audit (i.e., ASA 600 applies).
- The financial report is prepared by the directors of the Entity in accordance with Australian Accounting Standards (a general purpose framework) and under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- In this example, The group engagement team is unable to obtain sufficient appropriate audit evidence.....
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.
- ...
- The auditor is required to communicate key audit matters in accordance with ASA 701.
- Those responsible for oversight of the financial report differ from those responsible for the

<sup>23</sup>—In the case of footnote 3, this may read: “In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.”

<sup>24</sup>—In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances.” In the case of footnote 3, this may read: “In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances.”

preparation of the financial report.

- ~~In this example, the group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognised at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.~~
- ~~The group engagement team has read the audited financial report of the component as at 30 June 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.~~
- ~~In the group engagement partner's judgement, the effect on the group financial report of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.~~

~~Example of a Qualified Opinion Where the Group Engagement Team Is Not Able to Obtain Appropriate Audit~~

~~Evidence on Which to Base the Group Audit Opinion~~

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Audit of the Financial Report**

#### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC ~~Entity~~ Company and its subsidiaries (the Group), which comprises the consolidated statements of financial position as at 30 June 20X1, and the consolidated statements of comprehensive income, statement of changes in equity and statements of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and ~~other explanatory information~~...

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report ~~paragraph~~, the financial report of ABC ~~Entity~~ Company Ltd., is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Company's ~~registered scheme/disclosing Entity's~~...

#### **Basis for Qualified Opinion**

ABC Company's investment in XYZ ~~Entity~~ Company...

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

#### **Responsibilities of Directors' Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 2A in ASA 700.]

## Proposed Auditing Standard ASA 2015-1 Amendments to Australian Auditing Standards

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

### Auditor's Responsibility Responsibilities for the Audit of the Financial Report

[Reporting in accordance with ASA 700 – see Illustration [Aus] 2A in ASA 700. The last two paragraphs which are applicable for audits of listed entities only would not be included.]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>25</sup> of the financial report in order to design audit procedures that is appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>26</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### Report on the Remuneration Report

[Reporting in accordance with ASA 700 – see Illustration [Aus] 2A in ASA 700.]

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

#### *Opinion on the Remuneration Report*

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

### Amendments to ASA 710

51. Paragraph 14 is amended to read as follows:

...Such a statement ... report. (Ref: Para. A8)

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<sup>25</sup> In the case of footnote 3, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>26</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances."<sup>27</sup> In the case of footnote 3, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>28</sup>

52. Paragraph 18 is amended to read as follows:

...(Ref: Para. Aus A7.2, ~~A10.1~~ A11)

53. Paragraph 19 is amended to read as follows:

...Such a statement .. report. (Ref: Para. A12)

54. A new section titled “Prior Period Financial Report Not Audited (Ref: Para. 14)” is inserted under the heading “Corresponding Figures” and a new paragraph A8 underneath inserted as follows:

If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by ASA 705<sup>27</sup> to express a qualified opinion or disclaim an opinion on the financial report, as appropriate, in accordance with ASA 705. If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period’s financial report, the auditor may determine this to be a key audit matter in accordance with ASA 701.<sup>28</sup>

All following paragraph references are renumbered upwards by one.

55. Paragraph Aus A7.1 is deleted.

56. Paragraph Aus A10.1 is deleted.

57. A new section titled “Prior Period Financial Report Not Audited (Ref: Para. 19)” is inserted under the heading “Comparative Financial Reports ” and a new paragraph A12 underneath inserted as follows:

If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by ASA 705 to express a qualified opinion or disclaim an opinion on the financial report, as appropriate, in accordance with ASA 705. If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period’s financial report, the auditor may determine this to be a key audit matter in accordance with ASA 701.

All following paragraph references are renumbered upwards by one.

58. Appendix 1 is amended to read as follows:

### **Illustrations of Auditors’s Reports**

Note: Throughout these illustrative auditor’s reports, the Opinion section has been positioned first in accordance with ASA 700, and the Basis for Opinion section is positioned immediately after the Opinion section. Also, the first and last sentence that was included in the extant auditor’s responsibilities section is now subsumed as part of the new Basis for Opinion section.

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<sup>27</sup> See ASA 705, *Modifications to the Opinion in the Independent Auditor’s Report.*

<sup>28</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report.*



**Illustration 1 – Corresponding Figures** (Ref: Para. A5)

- For purposes of this Report illustrative auditor’s report, the following of the circumstances described in paragraph 11(a), as follows are assumed:
- Audit of a financial report of an Entity other than a listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600<sup>29</sup> does not apply).
- ~~The financial report is not prepared under the Corporations Act 2001.~~
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.<sup>30</sup>
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern in accordance with ASA 570.<sup>31</sup>
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.<sup>32</sup>
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

**INDEPENDENT AUDITOR’S REPORT**

To the Shareholders of ABC Entity [or Other Appropriate Addressee]

**Report on the Audit of the Financial report<sup>33</sup>**

**Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 30 June 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, ~~comprising including~~ a summary of significant accounting policies ~~and other explanatory information, and management’s assertion statement.~~

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report paragraph, the accompanying financial report presents fairly, in all material respects, (or give a true and fair view of) the financial position of the ABC Entity as at 30 June 20X1, and (of) its

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<sup>29</sup> See ASA 600, *Special Considerations—Audits of Group Financial Reports (Including the Work of Component Auditors)*.

<sup>30</sup> See ASA 210, *Agreeing the Terms of Audit Engagements*.

<sup>31</sup> See ASA 570, *Going Concern*.

<sup>32</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

<sup>33</sup> The sub-title “Report on the Audit of the Financial Report” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### **Basis for Qualified Opinion**

...

We conducted our audit in accordance with Australian Accounting Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

### **Responsibilities of Management's Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>34</sup> and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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

*[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>35</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>36</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as

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<sup>34</sup> Where management's responsibility is to prepare the financial reports that gives a true and fair view, this may read: "Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ..."

<sup>35</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>36</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Report on Other Legal and Regulatory Requirements**

*[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]*

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

### **[Aus] Illustration 1A – Corresponding Figures**

- For purposes of this Report illustrative auditor’s report, the following of the circumstances described in paragraph 11(a), as follows are assumed:
- Audit of a financial report of an single listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600<sup>37</sup> does not apply).
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework) and prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.<sup>38</sup>
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern in accordance with ASA 570.<sup>39</sup>
- The auditor is required to communicate key audit matters in accordance with ASA 701.<sup>40</sup>
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

### **INDEPENDENT AUDITOR’S REPORT**

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

### **Report on the Audit of the Financial report<sup>41</sup>**

#### **Qualified Opinion**

...

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<sup>37</sup> See ASA 600, *Special Considerations—Audits of Group Financial Reports (Including the Work of Component Auditors)*.

<sup>38</sup> See ASA 210, *Agreeing the Terms of Audit Engagements*.

<sup>39</sup> See ASA 570, *Going Concern*.

<sup>40</sup> See ASA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*.

<sup>41</sup> The sub-title “Report on the Audit of the Financial Report”

In our opinion... Basis for Qualified Opinion section of our report paragraph, the accompanying financial report...

### **Basis for Qualified Opinion**

...

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

### **Director's Responsibilities Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>42</sup> and for such internal control as the directors<sup>2</sup> determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>43</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>44</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as

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<sup>42</sup> Where management's responsibility is to prepare the financial reports that gives a true and fair view, this may read: "Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ..."

<sup>43</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>44</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Report on Other Legal and Regulatory Requirements**

*[Reporting in accordance with ASA 700 – see illustration [Aus] 1A in ASA 700.]*

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

#### **Illustration 2:**

For purposes of this Report illustrative auditor’s report the following of the circumstances described in paragraph 11(b) as follows are assumed:

- Audit of a financial report of an Entity other than a listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework).
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise has not decided, to communicate key audit matters in accordance with ASA 701.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

## **INDEPENDENT AUDITOR’S REPORT**

**To the Shareholders of ABC Entity [or Other Appropriate Addressee]**

### **Report on the Audit of the Financial Report**

#### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity... notes to the financial report, comprising including a summary of significant accounting policies...

In our opinion,...described in the *Basis for Qualified Opinion* section of our report paragraph, the ~~accompanying~~ financial report...the financial position of the ABC Entity

## **Basis for Qualified Opinion**

Because we were appointed auditors of the ABC Entity...

We conducted our audit in accordance with Australian Accounting Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

## **Responsibilities of Management's and Those Charged with Governance Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>45</sup> and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>46</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>47</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as

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<sup>45</sup> Where management's responsibility is to prepare a financial report that give a true and fair view, this may read: "Management is responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such..."<sup>22</sup>

<sup>46</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."<sup>22</sup>

<sup>47</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances."<sup>22</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>22</sup>

evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Report on Other Legal and Regulatory Requirements**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

...

#### **[Aus] Illustration 2A:**

- For purposes of this Report illustrative auditor’s report, the following of the circumstances described in paragraph 11(a), as follows are assumed:
- Audit of a financial report of an single listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600<sup>48</sup> does not apply).
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework) and prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.<sup>49</sup>
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity’s ability to continue as a going concern in accordance with ASA 570.<sup>50</sup>
- The auditor is required to communicate key audit matters in accordance with ASA 701.<sup>51</sup>
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

### **INDEPENDENT AUDITOR’S REPORT**

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

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<sup>48</sup> See ASA 600 *Special Considerations—Audits of Group Financial Reports (Including the Work of Component Auditors)*.

<sup>49</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*.

<sup>50</sup> See ASA 570 *Going Concern*.

<sup>51</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

**Report on the Audit of the Financial report<sup>52</sup>**

**Qualified Opinion**

...

In our opinion...*Basis for Qualified Opinion* section of our report paragraph, the accompanying financial report...

**Basis for Qualified Opinion**

...

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

**Director's Responsibilities Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors<sup>2</sup> determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility Responsibilities for the Audit of the Financial Report**

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>53</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

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<sup>52</sup> The sub-title "Report on the Audit of the Financial Report"...

<sup>53</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."<sup>22</sup>



## Proposed Auditing Standard ASA 2015-1 Amendments to Australian Auditing Standards

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of the Entity's internal control.<sup>54</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ASA 700 – see illustration [Aus] 1A in ASA 700.]

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

### Illustration 3:

For purposes of this Report illustrative auditor's report the following of the circumstances described in paragraph 13, as follows are assumed:

- Audit of a financial report of an Entity other than a listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework).
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise has not decided, to communicate key audit matters in accordance with ASA 701.
- ...
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

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<sup>54</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Entity [or Other Appropriate Addressee]

### Report on the Audit of the Financial report<sup>55</sup>

#### Opinion

We have audited the accompanying financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 30 June 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, comprising including a summary of significant accounting...

In our opinion, the accompanying financial report presents fairly, in all material respects, (or *give a true and fair view of*) the financial position of the ABC Entity as at 30 June 20X1...

#### Basis for Opinion

...Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

#### Other Matters

The financial report of the ABC Entity ...

### Responsibilities of Management's and Those Charged with Governance Responsibility for the Financial report

[Reporting in accordance with ASA 700 – see Illustration [Aus] IA in ASA 700.]

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>56</sup> and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility Responsibilities for the Audit of the Financial Report

[Reporting in accordance with ASA 700 – see Illustration [Aus] IA in ASA 700.]

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error,

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<sup>55</sup>—The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

<sup>56</sup> Where management's responsibility is to prepare a financial report that gives a true and fair view, this may read: "Management is responsible for the preparation of a financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ..."

design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>57</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>58</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

...

#### Illustration 4:

For purposes of this Report illustrative auditor's report of the following circumstances described in paragraph 15, as follows are assumed:

- Audit of a financial report of an Entity other than a listed Entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- ~~The financial report is not prepared under the Corporations Act 2001.~~
- The financial report is prepared by management of the Entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise has not decided, to communicate key audit matters in accordance with ASA 701.

<sup>57</sup>—In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>58</sup>—In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances."<sup>57</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>57</sup>

- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

## INDEPENDENT AUDITOR'S REPORT

### To the Shareholders of ABC Entity [or Other Appropriate Addressee]

#### Report on the Audit of the Financial report<sup>59</sup>

##### Qualified Opinion

We have audited the ~~accompanying~~ financial report of ABC Entity (the Entity) and notes to the financial report, including ~~comprising~~ a summary of significant accounting policies...

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* ~~paragraph~~ section of our report, the accompanying financial report presents fairly, in all material respects, (or *give a true and fair view of*) the financial position of the ABC Entity...

##### Basis for Qualified Opinion

...

...Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

...

##### Responsibilities of Management's and Those Charged with Governance Responsibility for the Financial Report

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>60</sup> and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

##### Auditor's Responsibility Responsibilities for the Audit of the Financial Report

[Reporting in accordance with ASA 700 – see Illustration [Aus] 1A in ASA 700.]

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

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<sup>59</sup> The sub-title "Report on the Audit of the Financial Report"...

<sup>60</sup> Where management's responsibility is to prepare a financial report that gives a true and fair view, this may read: "Management is responsible for the preparation of a financial report that give a true and fair view in accordance Australian Accounting Standards, and for such..."

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>61</sup> of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.<sup>62</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### **Report on Other Legal and Regulatory Requirements**

[Reporting in accordance with ASA 700 – see Illustration [Aus] IA in ASA 700.]

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

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<sup>61</sup> In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

<sup>62</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."