

GS 001
(March 2010)

Guidance Statement GS 001 *Concise Financial Reports*

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

Draft

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Auditing and Assurance Standards Board

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) issues Guidance Statement GS 001 *Concise Financial Reports* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

The Guidance Statement does not prescribe or create new mandatory Requirements.

Dated 22 February 2010

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS 001

Concise Financial Reports

Application

- 1 This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors reporting on a concise financial report prepared under the *Corporations Act 2001* (“the Act”) and in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* (as amended June 2009) (AASB 1039).

Issuance Date

- 2 This Guidance Statement is issued on 1 March 2010 by the AUASB and replaces GS 001 *Concise Financial Reports* which was revised and re-issued in December 2008.

Introduction

- 3 The auditor’s objective in respect of a concise financial report prepared under the Act, is to express an opinion:
 - (a) whether the concise financial report complies with AASB 1039; and
 - (b) when included, whether the discussion and analysis complies with the requirements of AASB 1039.

Regulatory Requirements

- 4 The annual financial reporting requirements of a company, registered scheme and disclosing entity are found in section 314(1) of the Act.
- 5 Section 314(2) of the Act states:

A concise report for a financial year consists of:

 - (a) a concise financial report for the year drawn up in accordance with accounting standards made for the purpose of this paragraph; and
 - (b) the directors’ report for the year (see sections 298-300A); and

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- (c) a statement by the auditor:
 - (i) that the financial report has been audited; and
 - (ii) whether, in the auditor's opinion, the concise financial report complies with the accounting standards made for the purpose of paragraph (a); and
 - (d) a copy of any qualification in, and of any statements included in the emphasis of matter section of, the auditor's report on the financial report; and
 - (e) a statement that the report is a concise report and that the full financial report and auditor's report will be sent to the member free of charge if the member asks for them.
- 6 Section 314 of the Act does not require a concise report to include the directors' declaration made under section 295(4) of the Act in respect of the (full) financial report for the year. Consequently, where the directors of an entity decide to include the directors' declaration as part of the concise report, the auditor, under ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*, needs to read the declaration, along with other documents comprising the concise report, to identify material inconsistencies with the concise financial report and material misstatements of fact.
- 7 Section 314(3) of the Act requires the auditor to report on whether the discussion and analysis, if required by the Accounting Standard to be included in the concise financial report¹, complies with the requirements laid down by the Accounting Standard. Furthermore, section 314(3)(b) specifies that the auditor need not otherwise audit the statements made in the discussion and analysis.
- 8 The requirements of the Act relating to concise financial reports are based on the view that a concise financial report can provide members with information relevant to evaluating the business, without giving them fully detailed accounting disclosures. The concise report will, in many cases, be the only report that is sent to members². The provision, to some members, of less detailed

¹ *Discussion and analysis* are not required for listed companies – see AASB 1039 paragraph 24. This is because, unlike other entities, listed companies are required by section 299A of the Act to provide an operational and financial report in the directors' report (which is included in the concise report).

² Unless members request a copy of the full financial report (annual financial report) – see section 314(2)(e) of the Act.

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information is expected to be sufficient to meet their needs for an understanding of the financial performance, financial position and financing and investing activities of the company, registered scheme or disclosing entity.

Accounting Standard AASB 1039

- 9 The Australian Accounting Standards Board issued Accounting Standard AASB 1039 *Concise Financial Reports*, the latest revision of which, dated June 2009, is operative for financial reporting periods beginning on or after 1 January 2009.

Discussion and Analysis

- 10 The Accounting Standard, inter alia, specifies the minimum content of a concise financial report, including a requirement that the financial statements forming part of the concise financial report, other than those of a listed company, be accompanied by discussion and analysis to assist the understanding of members.
- 11 AASB 1039 adopts the view that the information reported in the financial statements forming part of the concise financial report will be enhanced by discussion and analysis of the principal factors which affect the financial performance, financial position and financing and investing activities of an entity. According to AASB 1039, the extent of discussion and analysis which is required to be provided in concise financial reports will vary from entity to entity, and from year to year, as is necessary in the circumstances to compensate for the brevity of the concise financial report, compared with the (full) financial report for the year.
- 12 AASB 1039 does not require the financial statements, forming part of the concise financial report of listed companies, to be accompanied by discussion and analysis. This is so as to avoid repetition of information required to be included in the directors' report by section 299A of the Act.
- 13 Whilst AASB 1039 does not mandate specific discussion and analysis disclosures, paragraph 27 of the Standard provides examples of the types of disclosures that may, at least, be expected to accompany the financial statements.

Materiality

- 14 AASB 1039 paragraph 5 specifies that the requirements in AASB 1039 are subject to the requirements of AASB 1031 *Materiality*.

Audit Activities

Engagement Acceptance

- 15 Given that the concise financial report is an alternative form of reporting to members under the Act, and that the Act prescribes the auditor's reporting requirements, the AUASB takes the view that the audit of the concise financial report is treated, by auditors, as a separate engagement from the audit of the (full) financial report for the year. This view has been taken also because procedures, additional to those performed on the (full) financial report for the year, will be necessary when undertaking the audit of the concise financial report, particularly given that AASB 1039 requires, in certain circumstances, the inclusion of other information not found in the (full) financial report for the year, such as discussion and analysis.
- 16 In order to avoid any misunderstandings in relation to the audit of the concise financial report, the auditor complies with the engagement acceptance requirements in ASA 810 *Engagements to Report on Summary Financial Statements*. The auditor agrees the terms of the audit engagement with the appropriate person(s) within the entity's governance structure. The prudent auditor records the terms of engagement in writing and obtains written acceptance from the appropriate person representing the entity. These terms may be included in the written terms of the audit engagement for the (full) financial report. On recurring audits, the terms of the engagement are revised and re-confirmed as appropriate.
- 17 In addition to the specific requirements in ASA 810, the terms of engagement ordinarily include the objective and scope of the audit of the concise financial report (including the audit of discussion and analysis disclosures in that report). Such inclusions differentiate the engagement to audit the concise report from the engagement to audit the (full) financial report.

Audit Procedures

Auditing Standards

- 18 AASB 1039 requires the concise financial report to be derived from the (full) financial report for the year and each financial statement to be presented as it is in the (full) financial report for the year. Consequently, the audit procedures performed under the Auditing Standards by the auditor when auditing the (full) financial report for the year are effectively performed on that information in the concise financial report that has been derived from the (full) financial report.

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for the year. Accordingly, there is no expectation that such audit procedures need be repeated on the relevant information in the concise financial report.

- 19 Reference to “audit” and “audit procedures” in the illustrative examples of an auditor’s report on the concise financial report (see Appendix 1) relate to all procedures that have been performed by the auditor (i.e. regarding both the (full) financial report and the concise financial report).
- 20 When selecting and applying procedures in addition to those performed in relation to the (full) financial report for the year, the auditor complies with ASA 810.
- 21 Under ASA 810, paragraph 8, the auditor is required to perform specified procedures. Furthermore, the auditor is required to perform additional procedures that the auditor considers necessary as the basis for the auditor’s opinion (on the concise financial report). For example, procedures addressing discussion and analysis.

Discussion and Analysis

- 22 As the inclusion of discussion and analysis is not required in the (full) financial report for the year of some entities reporting under the Act, the audit of a concise financial report will include procedures to enable the auditor to reach a conclusion on the discussion and analysis, as part of forming an opinion on the concise financial report.
- 23 These procedures may include, a recalculation of ratios and/or trend analyses which have been included in the discussion and analysis; and ensuring that these disclosures are consistent with the information in the (full) financial report for the year.
- 24 Whilst AASB 1039 requires that the financial statements and the specific disclosures in a concise financial report be consistent with the (full) financial report for the year of the entity, it is recognised that because of the nature of discussion and analysis, such information (for example, a discussion and analysis of the main influences on the costs of the operations of the entity) goes beyond the type of disclosure which is included normally in the audited (full) financial report for the year.
- 25 In such circumstances, the auditor selects and applies appropriate procedures to be able to reach a conclusion on the discussion and analysis and evaluates the results of such procedures when forming

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- an opinion on whether the discussion and analysis complies with the requirements of AASB 1039. In selecting and applying procedures and evaluating results, the auditor exercises professional judgement in accordance with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.
- 26 Where information of a subjective and/or prospective nature is included in the discussion and analysis, either to comment on, or to augment the entity's financial statements forming part of the concise financial report (for example, a discussion of the impact of significant economic or other events on the operations of the entity), the auditor assesses whether the inclusion of such information in the audited concise financial report has the potential to mislead users.
- 27 Under ASA 200, the auditor exercises professional judgement in assessing the inclusion of such information in the discussion and analysis. If the auditor considers that this information is overly subjective and/or prospective in nature, and/or that it is information which cannot be quantified or verified, then the auditor refers to Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, for requirements and guidance on modifying the auditor's report. Depending on the circumstances, the modification to the auditor's report may be as a result of a disagreement with the directors (those charged with governance) on the adequacy or appropriateness of disclosures in the concise financial report or may be as a result of a limitation in scope.
- 28 In view of the matters discussed above, it is generally important that the auditor ascertains from the directors (those charged with governance), at an early stage in the audit, the extent and nature of the discussion and analysis that they intend to include in the concise financial report.
- 29 In ascertaining the extent and nature of the discussion and analysis at an early stage the auditor seeks to avert any difficulties which might otherwise arise with regard to the inclusion of such information. The directors (those charged with governance) are thus informed at that stage if, in the auditor's opinion, there is any possibility that users of the concise financial report might be misled by the inclusion of overly subjective and/or prospective terminology and information in the discussion and analysis which forms part of the concise financial report.

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Representations

- 30 Given that the Act does not require a directors' declaration to be included in the concise report, prior to issuing the auditor's report, it would be prudent for the auditor, under ASA 580 *Written Representations*, to obtain a written representation from the entity's directors which attests that the concise financial report (including, when applicable, discussion and analysis disclosures) complies with the requirements of AASB 1039 and the Act.

The Auditor's Report

- 31 When reporting on a concise financial report, the auditor complies with the Act and ASA 810. As section 314 of the Act prescribes the auditor's reporting obligations, the auditor adheres to the requirements in ASA 810, paragraph 10 in respect of the prescribed reporting obligations.
- 32 Under ASA 810, paragraph 10(b), the auditor evaluates whether the users of a concise financial report might misunderstand the auditor's opinion. Due to the precision of wording recommended in this Guidance Statement; and the requirements of the Act, an auditor ordinarily concludes that users will not misunderstand the auditor's opinion.
- 33 ASA 810, paragraph 14 lists the elements required to be included in an auditor's report.

Modifications to the Opinion, Emphasis of Matter Paragraph and Other Matter Paragraph

- 34 Under ASA 810, paragraph 17, all modifications to the auditor's report on the (full) financial report are to be included in the auditor's report on the concise financial report. The form of inclusion is dependent on whether the modification to the opinion, emphasis of matter paragraph or other matter paragraph contained in the auditor's report on the (full) financial report is applicable, or not applicable, to the concise financial report.
- 35 Examples:
- (a) AASB 1039 requires the concise financial report to be derived from, and consistent with, the (full) financial report for the year. Accordingly, modifications to the auditor's opinion on the (full) financial report for the year will commonly be applicable to the auditor's opinion on the concise financial report. Certain modifications to the

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auditor's opinion on the (full) financial report for the year, however, may not be applicable to the auditor's opinion on the concise financial report, such as those relating solely to disclosures in the notes to the (full) financial report for the year.

- (b) The auditor may modify the auditor's report relating to the concise financial report only. An example is when an auditor is of the opinion that the discussion and analysis does not comply with the requirements of AASB 1039.
- 36 Where the auditor's report on the (full) financial report contains an adverse or disclaimer of opinion, the auditor's report on the concise financial report must, under ASA 810, paragraph 18:
- (a) state that the auditor's report on the audited financial report contains an adverse opinion or disclaimer of opinion;
- (b) describe the basis for that adverse opinion or disclaimer of opinion; and
- (c) state that, as a result of the adverse opinion or disclaimer of opinion, it is inappropriate to express an opinion on the concise financial report.

*Remuneration Report*³

- 37 Where a company includes a Remuneration Report in the annual directors' report, the auditor reports thereon to members. Whilst there is no legal requirement to do so, it is in the public interest that a copy of the auditor's report on the Remuneration Report is included with the auditor's report on the concise financial report.

Illustrative Examples

- 38 The illustrative reports in Appendix 1 provide examples of an auditor's report on a concise financial covering:
- an unmodified opinion;
 - modified opinions; and
 - an Emphasis of Matter paragraph.

³ See Guidance Statement GS 008 *The Auditor's Report on a Remuneration Report Pursuant to Section 300A of the Corporations Act 2001*.

Conformity with International Pronouncements

- 39 As this Guidance Statement relates to Australian legislative requirements under the Act, there is no equivalent International Standard on Auditing or International Auditing Practice Statement to this Guidance Statement.

Appendix 1

(Ref: Para.)

ILLUSTRATIVE EXAMPLES OF THE AUDITOR'S REPORT ON A CONCISE FINANCIAL REPORT

Introduction

A. *Examples Provided in this Appendix*

Consideration of the examples in this Appendix is as follows:

- (i) Unmodified report—consider Example 1.
- (ii) Modified report—qualification on (full) financial report that does not affect the opinion on the concise financial report—consider Example 2.
- (iii) Modified report—qualification on either:
 - (a) the concise financial report only; or
 - (b) both the (full) financial report and the concise financial report—i.e. qualification on (full) financial report that does affect the opinion on the concise financial report—consider Example 3.
- (iv) Modified report—Emphasis of Matter Paragraph relating to either:
 - (a) the concise financial report only; or
 - (b) both the (full) financial report for the year and the concise financial report—consider Example 4.

Note: Wording used in an auditor's report to describe an auditor's responsibilities will differ according to the circumstances described above.

A schematic of these illustrative examples is provided at paragraph E. below.

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B. *Form of Reporting*

AASB 1039 does not specify whether a concise financial report prepared under section 314 of the Act is a “general purpose financial report” within the meaning described in Accounting Standard AASB 101 *Presentation of Financial Statements*. The auditor’s reporting obligations, under section 314, require an opinion on compliance (with AASB 1039), not an expression of opinion on the fair presentation of the financial information. Accordingly, the illustrative example auditor’s reports, contained within this Appendix, are not developed from a classification (general purpose or special purpose) of the concise financial report and are not based on the expression of an opinion on fair presentation.

Instead, the illustrative example auditor’s reports contained within this Appendix are discrete and have been developed from:

- (i) the auditor’s reporting obligations specified in the Act;
- (ii) the reporting requirements under ASA 810;
- (iii) the principles of auditor’s reporting found in Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* in relation to a compliance financial reporting framework;
- (iv) consideration of the nature of concise reports, including concise financial reports, prepared under the Act and AASB 1039; and
- (v) recognition of the relationship, prescribed in AASB 1039, of a concise financial report to the audited (full) financial report for the year.

It should be noted that as AASB 1039 does not require parent entity information to be separately disclosed when consolidated financial information is presented in concise financial reports, separate references to the parent entity and consolidated entity are therefore not required in the auditor’s report on a concise financial report.

C. *Qualifications*

Section 314(2)(d) of the Act specifies that — “a copy of any qualification in, and of any statements included in the emphasis of matter section of, the auditor’s report on the financial report”—is to be included in a concise report.

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At the time section 314 was introduced into the Act, the word “qualification” was a generic term and had the same meaning and expression as used in the then Auditing Standards (AUSs) issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation. Specifically, AUS 702.25(b) stated that a “qualified” opinion should be expressed as:

- (i) an “except for” opinion;
- (ii) an adverse opinion; or
- (iii) an inability to form an opinion.

However, under the current Auditing Standard (ASA 705), the term “qualified” has a specific and different meaning—it refers only to an “except for” type modification to the auditor’s opinion. The terminology used in this Guidance Statement is consistent with the ASA 705.

The meaning of the term Emphasis of Matter Paragraph does not differ between the Act, the AUSs, the ASAs and this Guidance Statement.

The term “Other Matter Paragraph” has been introduced to the Australian Auditing Standards applicable for financial reporting periods commencing on or after 1 January 2010. Accordingly, the term is not used in the Act but its use has no consequence under the Act.

The use of differing terminology between the Act and this Guidance Statement, as described above, does not mean that the requirements of section 314 of the Act have changed in so far that only “except for” type modifications are included in a concise report. The requirements of the Act remain unchanged and the term “qualification” in the Act covers all three types of modification to the auditor’s opinion listed above regardless of how they may be described in this Guidance Statement (or the Auditing Standards).

D. *Directors’ Obligations under the Act*

This Guidance Statement, including the illustrative auditor’s reports, is prepared to provide guidance to the auditor reporting on a concise financial report prepared under the *Corporations Act 2001*. It is not prepared to provide guidance to directors on their obligations under the Act, especially regarding section 314(2)(d) that requires a copy of any qualification and/or emphasis of matter [from the auditor’s

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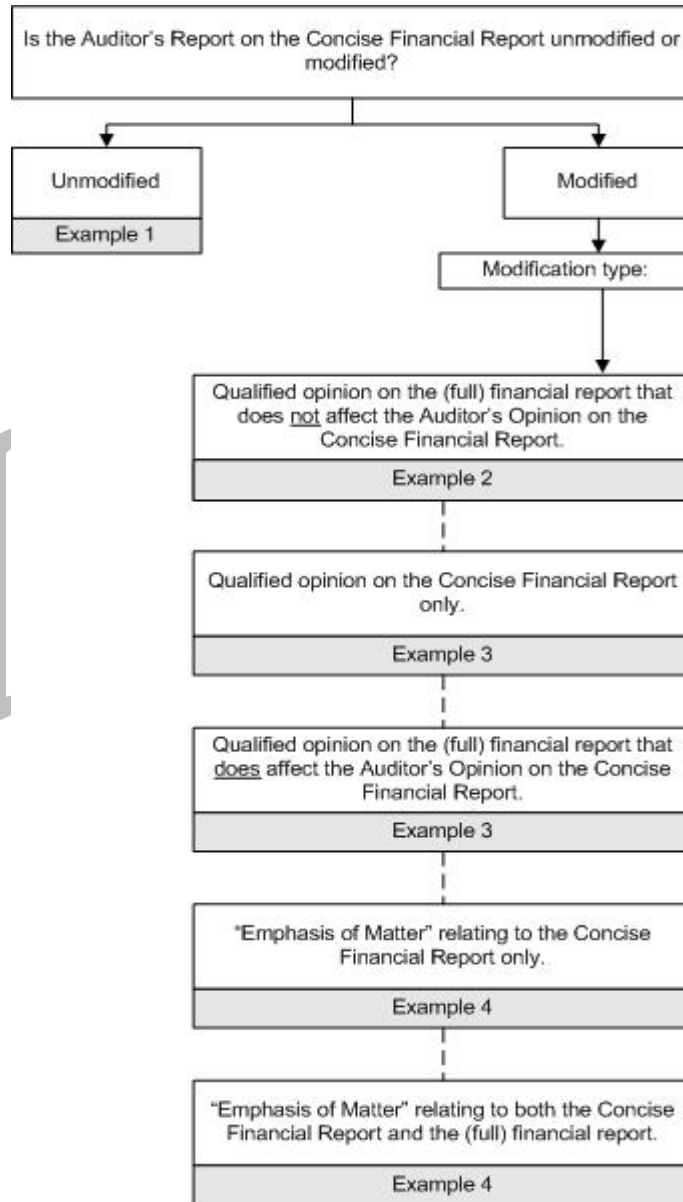
report on the (full) financial report] to be included in the “concise report”.

See “Important Notes” at Example 3 with respect to “appropriately restating” a qualification.

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E. *Schematic of Illustrative Examples*



Example 1: Unmodified Report

Unmodified Auditor's Report on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report⁴

We have audited the accompanying concise financial report of [name of entity] which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity, statement of cash flows⁵ for the year then ended, and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis⁶]⁷. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors⁸ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial*

⁴ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheadings "Report on Other Legal and Regulatory Requirements" and "Report on the Remuneration Report" are not applicable.

⁵ The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports* applicable for annual reporting periods beginning on or after 1 January 2009. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

⁶ A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (AASB 1039 paragraph 24-25).

⁷ As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

⁸ Alternatively, insert the title of those charged with governance.

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Statements. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. We expressed an unmodified audit opinion on that financial report in our report dated [date]. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]⁹.

[The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.]*

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has

⁹ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039 paragraph 24.

* Include if the date of the auditor's report on the concise financial report is later than the date of the auditor's report on the audited financial report.

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been given to the directors of [name of entity] would be in the same terms if given to the directors as at the time of this auditor's report.*

Opinion

In our opinion, the concise financial report [, including the discussion and analysis¹⁰] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on Other Legal and Regulatory Requirements¹¹

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

Report on the Remuneration Report¹²

The following paragraphs are copied from our Report on the Remuneration Report for the [period] ended 30 June 20X1.

[Insert the exact wording, including headings, of the Report on the Remuneration Report for the [period] ended 30 June 20X1.]

[Auditor's signature]¹³

[Date of the auditor's report]

[Auditor's address]

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

¹⁰ Include when a discussion and analysis has been included in the concise financial report.

¹¹ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

¹² Include only when an auditor's Report on the Remuneration Report has been included with the auditor's report on the (full) financial report.

¹³ The auditor's report needs to be signed in one or more of the following ways: the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Example 2: Modified Report

Unmodified Auditor's Opinion on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001* – Qualified Auditor's Opinion on the (full) financial report for the year that does not affect the Auditor's Opinion on the Concise Financial Report.

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report¹⁴

We have audited the accompanying concise financial report of [name of entity] which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity, statement of cash flows¹⁵ for the year then ended, and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis^{16,17}]. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

*Directors'*¹⁸ *Responsibility for the Concise Financial Report*

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

¹⁴ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheadings "Report on Other Legal and Regulatory Requirements", "Modification to the Auditor's Report on the Financial Report for the Year" and "Report on the Remuneration Report" are not applicable.

¹⁵ The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports* applicable for annual reporting periods beginning on or after 1 January 2009. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

¹⁶ A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (see AASB 1039, paragraph 24-25).

¹⁷ As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

¹⁸ Alternatively, insert the title of those charged with governance.

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Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. We expressed a modified audit opinion on that financial report in our report dated [date]. The modification, stated below does not qualify our opinion on the concise financial report¹⁹ because [insert reason(s)]. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise 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. Our procedures included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]²⁰.

[The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.]*

¹⁹ An example of a modification to the (full) financial report for the year that does *not* affect the concise financial report is a qualification ("except for") on disclosures in the notes to the financial statements where no such notes are included in the concise financial report. A copy of the modification paragraphs are included in a section of this auditor's report that follows the opinion and is clearly identified as *not* affecting the auditor's opinion on the concise financial report.

²⁰ Include when a discussion and analysis is required (i.e. other than listed companies) – see AASB 1039, paragraph 24.

* Include if the date of the auditor's report on the concise financial report is later than the date of the auditor's report on the audited financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of [name of entity] would be in the same terms if given to the directors as at the time of this auditor's report.*

Opinion

In our opinion, the concise financial report [, including the discussion and analysis²¹] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on Other Legal and Regulatory Requirements²²

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

Modification to the Auditor's Report on the Financial Report for the Year

The following paragraphs are copied from our report on the financial report for the year. The modification to the opinion in that report does not apply to our opinion on the Concise Financial Report for the reason(s) stated above.

[Insert the exact wording, including headings, of the basis of modification paragraph(s) and the modified opinion paragraph from the auditor's report on the financial report for the year.]

Report on the Remuneration Report²³

The following paragraphs are copied from our Report on the Remuneration Report for the [period] ended 30 June 20X1.

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

²¹ Include when a discussion and analysis has been included in the concise financial report.

²² Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

²³ Include only when an auditors Report on the Remuneration Report has been included with the auditor's report on the (full) financial report.

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[Insert the exact wording, including headings, of the Report on the Remuneration Report for the [period] ended 30 June 20X1.]

[Auditor's signature]²⁴

[Date of the auditor's report]

[Auditor's address]

Draft

²⁴ The auditor's report needs to be signed in one or more of the following ways: the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Example 3: Modified Report

Modified Auditor's Opinion on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001* – Qualified Auditor's Opinion ("Except for") relating to either:

- a. **the Concise Financial Report only; or**
- b. **the (full) financial report and the Concise Financial Report – i.e. Qualified Auditor's Opinion on the (full) financial report for the year that does affect the Auditor's Opinion on the Concise Financial Report.**

IMPORTANT NOTES:

1. This example auditor's report (Example 3) illustrates a qualification affecting the opinion on the concise financial report only and a qualification on the (full) financial report for the year that affects the auditor's opinion on the concise financial report.
2. Where a qualification on the (full) financial report for the year affects the auditor's opinion on the concise financial report, the following point is important:

The primary obligation is for the auditor to opine on the concise financial report and accordingly it may not be appropriate to copy the exact wording of the basis for qualification paragraph from the auditor's report on the (full) financial report. For example, the basis for qualification paragraph on the (full) financial report may include reference to a note to the financial statements which note is not present in the concise financial report. In such circumstances, it will be necessary to "appropriately restate" the wording [from the basis for qualification paragraph on the (full) financial report] in the auditor's report on the concise financial report. Any such "restatement" must reflect the meaning of the basis for qualification on the (full) financial report.

It is important to remember the qualification on the (full) financial report is the basis for qualifying the concise financial report; however, the wording of the qualification(s) may differ.

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report²⁵

We have audited the accompanying concise financial report of [name of entity], which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity, statement of cash flows²⁶ for the year then ended and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis²⁷]²⁸. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors'²⁹ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the concise financial report.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. We expressed a modified audit opinion on that financial report in our report dated [date]. The modification affects our report

²⁵ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheadings "Report on Other Legal and Regulatory Requirements" and "Report on the Remuneration Report" are not applicable.

²⁶ The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports* applicable for annual reporting periods beginning on or after 1 January 2009. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

²⁷ A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (AASB 1039, paragraph 24-25).

²⁸ As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

²⁹ Alternatively, insert the title of those charged with governance.

Guidance Statement GS 001 *Concise Financial Reports*

on the concise financial report and is a modification to our opinion³⁰ on the concise financial report. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise 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. Our procedures included testing that the information in the concise financial report is derived from and consistent with the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]³¹.

[The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.]*

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has

³⁰ An emphasis of matter is not a modification to the auditor's opinion - it is a modification to the auditor's report (see Example 4).

³¹ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039, paragraph 24.

* Include if the date of the auditor's report on the concise financial report is later than the date of the auditor's report on the audited financial report.

Guidance Statement GS 001 *Concise Financial Reports*

been given to the directors of [name of entity] would be in the same terms if given to the directors as at the time of this auditor's report.*

Basis for Qualified Opinion

[Include a clear description of all the substantive reasons for the qualification and quantification of the effects.]³²

[Copy exactly, or appropriately restate, the Basis for Qualified Opinion paragraph(s) from the auditor's report on the financial report for the year.] This basis for qualification to our opinion on the concise financial report is also a basis for qualification to our opinion on the financial report of (name of entity) for the year³³.

Qualified Opinion

In our opinion, except for the effect on the concise financial report of the matter(s) referred to in the preceding paragraph(s), the concise financial report [, including the discussion and analysis³⁴] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on Other Legal and Regulatory Requirements³⁵

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

Report on the Remuneration Report³⁶

The following paragraphs are copied from our Report on the Remuneration Report for the [period] ended 30 June 20X1.

[Insert the exact wording, including headings, of the Report on the Remuneration Report for the [period] ended 30 June 20X1.]

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

³² The qualification affects the opinion on the concise financial report ONLY – for example, a qualification on the *discussion and analysis*.

³³ Copy exactly or appropriately restate the wording from the basis for modification paragraph(s) from the auditor's report on the (full) financial report for the year that affects the opinion on the concise financial report. Ensure the modification is described as a copy or restatement of a qualification to the opinion on the financial report for the year.

³⁴ Include when a discussion and analysis has been included in the concise financial report.

³⁵ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the financial report for the year.

³⁶ Include only when an auditor's Report on the Remuneration Report has been included with the auditor's report on the (full) financial report.

Guidance Statement GS 001 *Concise Financial Reports*

[Auditor's signature]³⁷

[Date of the auditor's report]

[Auditor's address]

Draft

³⁷ The auditor's report needs to be signed in one or more of the following ways: the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Example 4: Modified Report

Modified Auditor's Report on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001* – Emphasis of Matter Paragraph relating to either:

- a. **the Concise Financial Report only; or**
- b. **both the (full) financial report for the year and the Concise Financial Report.**

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report³⁸

We have audited the accompanying concise financial report of [name of entity] which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity (or statement of recognised income and expenses), statement of cash flows³⁹ for the year then ended, and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis^{40,41}]. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards and accordingly, reading the concise financial report is not a substitute for reading the audited financial report.

Directors⁴² Responsibility for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001* and for such internal

³⁸ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheadings "Emphasis of Matter in the Auditor's Report on the Financial Report for the Year", "Report on Other Legal and Regulatory Requirements" and "Report on the Remuneration Report" are not applicable.

³⁹ The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports* applicable for annual reporting periods beginning on or after 1 January 2009. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

⁴⁰ A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (AASB 1039, paragraph 24-25).

⁴¹ As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

⁴² Alternatively, insert the title of those charged with governance.

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control as the directors determine are necessary to enable the preparation of the concise financial report..

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our procedures which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. We expressed a modified [unmodified⁴³] audit opinion on that financial report in our report dated [date]. The modification, an emphasis of matter, affects [does not affect] the concise financial report [because (state reasons)]⁴⁴. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the concise financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the concise financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the concise 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. Our included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of audit evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]⁴⁵.

⁴³ Use only when the auditor's report on the (full) financial report is unmodified (i.e. contains no emphasis of matter paragraph and/or no modification to the opinion).

⁴⁴ Use this sentence only when the auditor's report on the (full) financial report for the year is modified.

⁴⁵ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039, paragraph 24.

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[The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report.]*

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of [name of entity] would be in the same terms if given to the directors as at the time of this auditor's report.[#]

Opinion(s)

In our opinion, the concise financial report [, including the discussion and analysis⁴⁶] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Description of Emphasis of Matter

Without qualification (or without further qualification) to the opinion expressed above, attention is drawn to... (include details)⁴⁷. [This emphasis of matter paragraph is included in our auditor's report on the financial report of (name of entity) for the year.]⁴⁸

Emphasis of Matter in the Auditor's Report on the Financial Report for the Year⁴⁹

The following paragraph(s) are copied from our report on the financial report for the year. The emphasis of matter paragraph in that report does not apply to the Concise Financial Report for the reason(s) stated above.

* Include if the date of the auditor's report on the concise financial report is later than the date of the auditor's report on the audited financial report.

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

⁴⁶ Include when a discussion and analysis has been included in the concise financial report.

⁴⁷ Include when the Emphasis of Matter paragraph relates to either: (a) the concise financial report; or (b) both the concise financial report and the (full) financial report for the year.

⁴⁸ Include only when the Emphasis of Matter paragraph relates to both the concise financial report and the (full) financial report for the year.

⁴⁹ Include only when the Emphasis of Matter paragraph in the auditor's report on the (full) financial report for the year does not relate to the concise financial report.

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[Insert the exact wording of the Emphasis of Matter paragraph included in the auditor's report on the financial report for the year.]

Report on Other Legal and Regulatory Requirements⁵⁰

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

Report on the Remuneration Report⁵¹

The following paragraphs are copied from our Report on the Remuneration Report for the [period] ended 30 June 20X1.

[Insert the exact wording, including headings, of the Report on the Remuneration Report for the [period] ended 30 June 20X1.]

[Auditor's signature]⁵²

[Date of the auditor's report]

[Auditor's address]

⁵⁰ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

⁵¹ Include only when an auditor's Report on the Remuneration Report has been included with the auditor's report on the (full) financial report.

⁵² The auditor's report needs to be signed in one or more of the following ways: the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.