

ASA 700
(June 2009)

Auditing Standard ASA 700
Forming an Opinion and
Reporting on a Financial
Report (Revised and
Redrafted)

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

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Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing Auditing Standard ASA 700 ***Forming an Opinion and Reporting on a Financial Report (Revised and Redrafted)***

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

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Main Features

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

This Auditing Standard:

- (a) Defines a general purpose financial report;
- (b) Describes the terms "fair presentation framework" and "compliance framework";
- (c) Requires the auditor to form an opinion having concluded on whether the auditor has obtained reasonable assurance;
- (d) Requires the auditor to evaluate whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework;
- (e) Describes the form of opinion and the circumstances under which each form of opinion is required; and
- (f) Describes the required contents of the independent auditor's report.

AUASB Information Note

The IAASB has announced completion of the "Clarity" project. While all currently known conforming amendments are incorporated into this Proposed Standard, readers are advised that the AUASB may decide to make further conforming amendments and other editorial changes.

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AUTHORITY STATEMENT

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

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied.

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Application

- Aus 0.1 This Auditing Standard applies to:
- (a) 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
 - (b) an audit of a financial report or a complete set of financial statements for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

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

Introduction

Scope of this ASA

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

¹ See ASA 705 (Revised and Redrafted) *Modifications to the Opinion in the Independent Auditor's Report*.

² See ASA 706 (Revised and Redrafted) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

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

Effective Date

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

Objectives

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

Definitions

7. For the purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) General purpose financial report means a financial report prepared in accordance with a general purpose framework.

³ See ASA 800 (Revised and Redrafted) *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*.

⁴ See ASA 805 (Revised and Redrafted) *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

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- (b) General purpose framework means a financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.⁵

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

8. Reference to “a financial report” in this Auditing Standard means “a complete set of general purpose financial statements, including the related notes and an assertion statement by those responsible for the financial report.” The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial report, and what constitutes a financial report.

⁵ See ASA 200 (Revised and Redrafted) *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 13(a).

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

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9. Reference to “Australian Accounting Standards” in this Auditing Standard means the Australian Accounting Standards issued by the Australian Accounting Standards Board, and reference to “International Financial Reporting Standards” means the International Financial Reporting Standards issued by the International Accounting Standards Board, and reference to “International Public Sector Accounting Standards” means the International Public Sector Accounting Standards issued by the International Public Sector Accounting Standards Board.

Requirements

Forming an Opinion on the Financial Report

10. The auditor shall form an opinion on whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework.^{7 8}
11. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
- (a) The auditor’s conclusion, in accordance with ASA 330 (Revised and Redrafted), whether sufficient appropriate audit evidence has been obtained;⁹
 - (b) The auditor’s conclusion, in accordance with ASA 450 (Revised and Redrafted), whether uncorrected misstatements are material, individually or in aggregate,¹⁰ and
 - (c) The evaluations required by paragraphs 12-15 of this Auditing Standard.
12. The auditor shall evaluate whether the financial report is prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall

⁷ See ASA 200 (Revised and Redrafted), paragraph 11.

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

⁹ See ASA 330 (Revised and Redrafted) *The Auditor’s Responses to Assessed Risks*, paragraph 26.

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

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include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgements. (Ref: Para. A1-A3)

13. In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework:
- (a) The financial report adequately discloses the significant accounting policies selected and applied;
 - (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
 - (c) The accounting estimates made by management are reasonable;
 - (d) The information presented in the financial report is relevant, reliable, comparable and understandable;
 - (e) The financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report; and (Ref: Para. A4)
 - (f) The terminology used in the financial report, including the title of each financial statement, is appropriate.
14. When the financial report is prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12-13 of this Auditing Standard shall also include whether the financial report achieves fair presentation. The auditor's evaluation as to whether the financial report achieves fair presentation shall include consideration of:
- (a) The overall presentation, structure and content of the financial report; and
 - (b) Whether the financial report, including the related notes, represents the underlying transactions and events in a manner that achieves fair presentation.
15. The auditor shall evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework. (Ref: Para. A5-A10)

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Form of Opinion

16. The auditor shall express an unmodified opinion when the auditor concludes that the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework.
17. If the auditor:
- (a) concludes that, based on the audit evidence obtained, the financial report as a whole is not free from material misstatement; or
 - (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial report as a whole is free from material misstatement,
- the auditor shall modify the opinion in the auditor's report in accordance with ASA 705 (Revised and Redrafted).
18. If the financial report prepared in accordance with the requirements of a fair presentation framework does not achieve fair presentation, the auditor shall discuss the matter with management and/or those charged with governance and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor's report in accordance with ASA 705 (Revised and Redrafted). (Ref: Para. A11)
19. When the financial report is prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial report achieves fair presentation. However, if in extremely rare circumstances the auditor concludes that such financial report is misleading, the auditor shall discuss the matter with management and/or those charged with governance and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report. (Ref: Para. A12)

Auditor's Report

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

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

Title

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

Addressee

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

Introductory Paragraph

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

Management's Responsibility for the Financial Report

24. This section of the auditor's report describes the responsibilities of those in the organisation who are responsible for the preparation of the financial report. The auditor's report need not refer specifically to "management," but shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction. In some jurisdictions, the appropriate reference may be to those charged with governance.
25. The auditor's report shall include a section with the heading "Management's [or other appropriate term] Responsibility for the Financial Report."

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26. The auditor's report shall describe management's responsibility for the preparation of the financial report. The description shall include an explanation that management is responsible for the preparation of the financial report in accordance with the applicable financial reporting framework, and for such internal control as it determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. (Ref: Para. A20- A23)
27. Where the financial report is prepared in accordance with a fair presentation framework, the explanation of management's responsibility for the financial report in the auditor's report shall refer to "the preparation and fair presentation of the financial report" or "the preparation of the financial report that gives a true and fair view," as appropriate in the circumstances.

Auditor's Responsibility

28. The auditor's report shall include a section with the heading "Auditor's Responsibility."
29. The auditor's report shall state that the responsibility of the auditor is to express an opinion on the financial report based on the audit. (Ref: Para. A24)
30. The auditor's report shall state that the audit was conducted in accordance with Australian Auditing Standards. The auditor's report shall also explain that those standards require that the auditor comply with ethical requirements and that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. (Ref: Para. A25-A26)
31. The auditor's report shall describe an audit by stating that:
- (a) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report;
 - (b) The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but

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not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and

- (c) An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well as the overall presentation of the financial report.
32. Where the financial report is prepared in accordance with a fair presentation framework, the description of the audit in the auditor's report shall refer to "the entity's preparation and fair presentation of the financial report" or "the entity's preparation of the financial report that gives a true and fair view," as appropriate in the circumstances.
33. The auditor's report shall state whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

Auditor's Opinion

34. The auditor's report shall include a section with the heading "Opinion."
35. When expressing an unmodified opinion on the financial report prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent: (Ref: Para. A27-A33)
- (a) The financial report presents fairly, in all material respects, ... in accordance with [the applicable financial reporting framework]; or
 - (b) The financial report gives a true and fair view of ... in accordance with [the applicable financial reporting framework].

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36. When expressing an unmodified opinion on the financial report prepared in accordance with a compliance framework, the auditor's opinion shall be that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A27, A29-A33)
37. If the reference to the applicable financial reporting framework in the auditor's opinion is not to the Australian Accounting Standards, and, where applicable, relevant Australian laws or regulations, the auditor's opinion shall identify the jurisdiction of origin of the framework.
- Aus 37.1 When an entity, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* (IFRSs), and the auditor agrees with the entity's statement of compliance, the auditor shall state that in the auditor's opinion, the financial report complies with IFRSs. (Ref: Para. Aus A33.1-Aus A33.2)

Other Reporting Responsibilities

38. If the auditor addresses other reporting responsibilities in the auditor's report on the financial report that are in addition to the auditor's responsibility under the Australian Auditing Standards to report on the financial report, these other reporting responsibilities shall be addressed in a separate section in the auditor's report that shall be sub-titled "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. (Ref: Para. A34-A35)
39. If the auditor's report contains a separate section on other reporting responsibilities, the headings, statements and explanations referred to in paragraphs 23-37 of this Auditing Standard shall be under the sub-title "Report on the Financial Report." The "Report on Other Legal and Regulatory Requirements" shall follow the "Report on the Financial Report." (Ref: Para. A36)

Signature of the Auditor

40. The auditor's report shall be signed. (Ref: Para. A37)

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Date of the Auditor's Report

41. The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial report, including evidence that: (Ref: Para. A38-A41)
- (a) All the statements that comprise the financial report, including the related notes, have been prepared; and
 - (b) Those with the recognised authority have asserted that they have taken responsibility for the financial report.

Auditor's Address

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

Auditor's Report Prescribed by Law or Regulation

43. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout or wording of the auditor's report, the auditor's report shall refer to Australian Auditing Standards only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A42)
- (a) A title;
 - (b) An addressee, as required by the circumstances of the engagement;
 - (c) An introductory paragraph that identifies the financial report audited;
 - (d) A description of the responsibility of management (or other appropriate term, see paragraph 24 of this Auditing Standard) for the preparation of the financial report;
 - (e) A description of the auditor's responsibility to express an opinion on the financial report and the scope of the audit, that includes:
 - A reference to Australian Auditing Standards and the law or regulation; and

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- A description of an audit in accordance with those standards;
- (f) An opinion paragraph containing an expression of opinion on the financial report and a reference to the applicable financial reporting framework used to prepare the financial report (including identifying the jurisdiction of origin of the financial reporting framework that is not Australian Accounting Standards and/or relevant legislation or regulation);
- (g) The auditor's signature;
- (h) The date of the auditor's report; and
- (i) The auditor's address.

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

44. An auditor may be required to conduct an audit in accordance with the auditing standards of a specific jurisdiction ("other auditing standards"), but may additionally have complied with the Australian Auditing Standards in the conduct of the audit. If this is the case, the auditor's report may refer to Australian Auditing Standards in addition to the other auditing standards, but the auditor shall do so only if: (Ref: Para. A43-A44)
- (a) There is no conflict between the requirements in the other auditing standards and those in the Australian Auditing Standards that would lead the auditor (i) to form a different opinion, or (ii) not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by Australian Auditing Standards; and
 - (b) The auditor's report includes, at a minimum, each of the elements set out in paragraph 43(a)-(i) of this Auditing Standard when the auditor uses the layout or wording specified by the other auditing standards. Reference to law or regulation in paragraph 43(e) of this Auditing Standard shall be read as reference to the other auditing standards. The auditor's report shall thereby identify such other auditing standards.

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

Supplementary Information Presented with the Financial Report (Ref: Para. A45-A51)

46. If supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial report, the auditor shall evaluate whether such supplementary information is clearly differentiated from the audited financial report. If such supplementary information is not clearly differentiated from the audited financial report, the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall explain in the auditor's report that such supplementary information has not been audited.
47. Supplementary information that is not required by the applicable financial reporting framework but is nevertheless an integral part of the financial report because it cannot be clearly differentiated from the audited financial report due to its nature and how it is presented shall be covered by the auditor's opinion.

* * *

Application and Other Explanatory Material

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

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

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

- A4. It is common for a financial report prepared in accordance with a general purpose framework to present an entity's financial position, financial performance and cash flows. In such circumstances, the

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

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

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auditor evaluates whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, financial performance and cash flows.

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

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

Reference to More than One Financial Reporting Framework

- A8. In some cases, the financial report may represent that it is prepared in accordance with two financial reporting frameworks (e.g., Australian Accounting Standards and other financial reporting standards). This may be because management is required, or has chosen, to prepare the financial report in accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial report complies with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial report needs to comply with both frameworks simultaneously and without any need for reconciling statements. In

¹³ See ASA 200 (Revised and Redrafted), paragraphs A2-A3.

* Qualifying or limiting language is prohibited when preparing a financial report in accordance with Australian Accounting Standards – see AASB 101 *Presentation of Financial Statements*.

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practice, simultaneous compliance is unlikely unless the jurisdictions have adopted the same framework or have eliminated all barriers to compliance with each framework.

- A9. A financial report that is prepared in accordance with one financial reporting framework and that contains a note or supplementary statement reconciling the results to those that would be shown under another framework, are not prepared in accordance with that other framework. This is because the financial report does not include all the information in the manner required by that other framework.
- A10. The financial report may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial statements the extent to which the financial report complies with another framework (e.g., a financial report prepared in accordance with the Australian Accounting Standards that also describes the extent to which it complies with other financial reporting standards). Such description is supplementary financial information and, as discussed in paragraph 47, is considered an integral part of the financial report and, accordingly, is covered by the auditor's opinion.

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

- A11. There may be cases where the financial report, although prepared in accordance with the requirements of a fair presentation framework, does not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial report beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial report.*
- A12. It will be extremely rare for the auditor to consider a financial report that is prepared in accordance with a compliance framework to be misleading if, in accordance with ASA 210 (Revised and Redrafted), the auditor determined that the framework is acceptable.¹⁴

* When preparing a financial report in accordance with the Australian Accounting Standards, departure from a requirement is not permitted.

¹⁴ See ASA 210 (Revised and Redrafted) *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

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Auditor's Report (Ref: Para. 20)

- A13. A written report encompasses reports issued in hard copy format and those using an electronic medium.
- A14. The Appendix contains illustrations of auditors' reports on financial reports, incorporating the elements set forth in paragraphs 21-42.

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

Title (Ref: Para. 21)

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

Addressee (Ref: Para. 22)

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

Introductory Paragraph (Ref: Para. 23)

- A17. The introductory paragraph states, for example, that the auditor has audited the accompanying financial report of the entity, which comprise [state the title of each financial statement comprising the financial report required by the applicable financial reporting framework, specifying the date or period covered by each financial statement] and referring to the summary of significant accounting policies and other explanatory information.
- A18. When the auditor is aware that the audited financial report will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial report is presented. This helps users to identify the financial report to which the auditor's report relates.

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A19. The auditor's opinion covers the financial report as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial report includes: a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and an assertion by those responsible for the financial report. In some jurisdictions additional information might also be considered to be an integral part of the financial report.

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

A20. ASA 200 (Revised and Redrafted) explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with Australian Auditing Standards is conducted.¹⁵ Management and, where appropriate, those charged with governance accept responsibility for the preparation of the financial report in accordance with the applicable financial reporting framework. Management also accepts responsibility for such internal control as it deems necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The description of management's responsibilities in the auditor's report includes reference to both responsibilities as it helps to explain to users the premise on which an audit is conducted.

A21. There may be circumstances when it is appropriate for the auditor to add to the description of management's responsibility in paragraph 26 to reflect additional responsibilities that are relevant to the preparation of the financial report in the context of the particular jurisdiction or the nature of the entity.

A22. Paragraph 26 is consistent with the form in which the responsibilities are agreed in the engagement letter or other suitable form of written agreements, as required by ASA 210 (Revised and Redrafted).¹⁶ ASA 210 (Revised and Redrafted) provides some flexibility by explaining that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgement, are equivalent in effect to those set out in ASA 210 (Revised and Redrafted). For such

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

¹⁶ See ASA 210 (Revised and Redrafted), paragraphs 6(b)(i)-(ii).

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responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. In such cases, this wording may also be used in the auditor's report to describe management's responsibilities as required by paragraph 26. In other circumstances, including where the auditor decides not to use the wording of law or regulation as incorporated in the engagement letter, the wording of paragraph 26 is used.

- A23. In some jurisdictions, law or regulation prescribing management's responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ASA 315 (Revised and Redrafted¹⁷), the descriptions in ASA 210 and in paragraph 26 of this Auditing Standard, do not make specific reference to them.

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

- A24. The auditor's report states that the auditor's responsibility is to express an opinion on the financial report based on the audit in order to contrast it to management's responsibility for the preparation of the financial report.
- A25. The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards.
- A26. In accordance with ASA 200 (Revised and Redrafted), the auditor does not represent compliance with the Australian Auditing Standards in the auditor's report unless the auditor has complied with the requirements of ASA 200 (Revised and Redrafted) and all other Australian Auditing Standards relevant to the audit.¹⁸

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

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

- A27. ASA 210 (Revised and Redrafted) explains that, in some cases, law or regulation of the relevant jurisdiction prescribes the wording of the auditor's report (which in particular includes the auditor's opinion) in terms that are significantly different from the

¹⁷ See ASA 315 *Identifying and Assessing Risks of Material Misstatements through Understanding the Entity and Its Environment*, paragraph 4(c).

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

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requirements of the Australian Auditing Standards. In these circumstances, ASA 210 (Revised and Redrafted) requires the auditor to evaluate:

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

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

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

A28. Whether the phrase “present fairly, in all material respects,” or the phrase “gives a true and fair view” is used in any particular jurisdiction is determined by the law or regulation governing the audit of a financial report in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the requirement in paragraph 14 of this Auditing Standard for the auditor to evaluate the fair presentation of the financial report prepared in accordance with a fair presentation framework.

Description of information that the financial report presents

A29. In the case of a financial report prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial report presents fairly, in all material respects, or gives a true and fair view of the information that the financial report is designed to present, for example, in the case of many general purpose frameworks, the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended.

¹⁹ See ASA 210 (Revised and Redrafted), paragraph 21.

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

A30. The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph 14. The applicable financial reporting framework is identified in such terms as:

“... in accordance with Australian Accounting Standards” or

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

A31. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as “... in accordance with Australian Accounting Standards, the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*.” ASA 210 (Revised and Redrafted) deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.²⁰

A32. As indicated in paragraph A8, the financial report may be prepared in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor's opinion on the financial report, and the auditor's opinion in accordance with paragraphs 35-36 of this Auditing Standard refers to both frameworks as follows:

- (a) If the financial report complies with each of the frameworks individually, two opinions are expressed: that is, that the financial report is prepared in accordance with one of the applicable financial reporting frameworks (e.g., Australian Accounting Standards) and an opinion that the financial report is prepared in accordance with the other applicable financial reporting framework (e.g., International Financial Reporting Standards). These opinions may be expressed separately or in a single sentence (e.g., the financial report is presented fairly, in all material respects, in accordance with accounting principles generally accepted in

²⁰ See ASA 210 (Revised and Redrafted), paragraph 18.

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Jurisdiction X and with International Financial Reporting Standards).

- (b) If the financial report complies with one of the frameworks but fails to comply with the other framework, an unmodified opinion can be given that the financial report is prepared in accordance with the one framework (e.g., the Australian Accounting Standards) but a modified opinion given with regard to the other framework (e.g., International Financial Reporting Standards) in accordance with ASA 705 (Revised and Redrafted).

A33. As indicated in paragraph A10, the financial report may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework. As explained in paragraph A46, such supplementary information is covered by the auditor's opinion as it cannot be clearly differentiated from the financial report.

- (a) If the disclosure as to the compliance with the other framework is misleading, a modified opinion is expressed in accordance with ASA 705 (Revised and Redrafted).
- (b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users' understanding of the financial report, an Emphasis of Matter paragraph is added in accordance with ASA 706 (Revised and Redrafted), drawing attention to the disclosure.

Aus A33.1 With respect to the Requirement in paragraph Aus 37.1, Appendix 1 to this Auditing Standard provides illustrations of an auditor's opinions—see Illustration 1A: Unmodified Auditor's Report Prepared under the *Corporations Act 2001*—Single Corporate Entity; and Example 3A: Unmodified Auditor's Report Prepared under the *Corporations Act 2001* – Consolidated Entity.

Aus A33.2 Auditing Standard ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* provides Requirements and guidance when the auditor disagrees with those charged with governance in relation to compliance with the requirements of Australian Accounting Standards, and this applies to, and includes, AASB 101 requirements.

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

- A34. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility under the Australian Auditing Standards to report on the financial report. For example, the auditor may be asked to report certain matters if they come to the auditor's attention during the course of the audit of the financial report. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters, such as the adequacy of accounting books and records. Auditing standards in the specific jurisdiction often provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.
- Aus A34.1 When the audit of the financial report is conducted pursuant to the *Corporations Act 2001*, section 308(3)(b) of that Act requires the auditor to describe in the auditor's report any deficiency, failure or shortcoming in respect of certain matters referred to in section 307(b), (c) or (d) of that Act.
- A35. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities within the auditor's report on the financial report. In other cases, the auditor may be required or permitted to report on them in a separate report.
- A36. These other reporting responsibilities are addressed in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibility under the Australian Auditing Standards to report on the financial report. Where relevant, this section may contain sub-heading(s) that describe(s) the content of the other reporting responsibility paragraph(s).*

Signature of the Auditor (Ref: Para. 40)

- A37. The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor's signature, in certain jurisdictions, the auditor may be required to declare in the auditor's report the auditor's professional accountancy designation

* An example of "other reporting responsibilities" is where a remuneration report is included in a directors' report and the auditor is required to report in accordance with section 308(3C) of the *Corporations Act 2001*. See also AUASB Guidance Statement GS 008 (06/08)

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or the fact that the auditor or firm, as appropriate, has been recognised by the appropriate licensing authority in that jurisdiction.

Aus A37.1 Under the *Corporations Act 2001*, auditors of a company or registered scheme are required to sign the auditor's report in both their own name and the name of their firm [sec. 324AB(3)] or the name of the audit company [sec. 324AD(1)], as applicable.

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

A38. The date of the auditor's report informs the user of the auditor's report that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in ASA 560 (Revised and Redrafted).²¹

A39. Since the auditor's opinion is provided on the financial report and the financial report is the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that comprise the financial report, including the related notes, have been prepared and management has accepted responsibility for them.

A40. In some jurisdictions, the law or regulation identifies the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements that comprise the financial report, including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial report. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalising its financial report in view of its management and governance structures is considered in order to identify the individuals or body with the authority to conclude that all the statements that comprise the financial report, including the related notes, have been prepared. In some cases, law or regulation identifies the point in the financial reporting process at which the audit is expected to be complete.

A41. In some jurisdictions, final approval of the financial report by shareholders is required before the financial report is issued

²¹ See ASA 560 (Revised and Redrafted) *Subsequent Events*, paragraphs 10-17.

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publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial report for purposes of the Australian Auditing Standards is the earlier date on which those with the recognised authority determine that all the statements that comprise the financial report, including the related notes, have been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

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

A42. ASA 200 (Revised and Redrafted) explains that the auditor may be required to comply with legal or regulatory requirements in addition to the Australian Auditing Standards.²² Where this is the case, the auditor may be obliged to use a layout or wording in the auditor's report that differs from that described in this Auditing Standards. As explained in paragraph 4, consistency in the auditor's report, when the audit has been conducted in accordance with the Australian Auditing Standards, which use the ISAs as the underlying auditing standards, promotes credibility in the global marketplace by making more readily identifiable those audits that have been conducted in accordance with globally recognised standards. When the differences between the legal or regulatory requirements and the Australian Auditing Standards relate only to the layout and wording of the auditor's report and, at a minimum, each of the elements identified in paragraph 43(a)-(i) are included in the auditor's report, the auditor's report may refer to Australian Auditing Standards. Accordingly, in such circumstances the auditor is considered to have complied with the requirements of the Australian Auditing Standards, even when the layout and wording used in the auditor's report are specified by legal or regulatory reporting requirements. Where specific requirements in a particular jurisdiction do not conflict with the Australian Auditing Standards, adoption of the layout and wording used in this Auditing Standard assists users of the auditor's report more readily to recognise the auditor's report as a report on an audit conducted in accordance with the Australian Auditing Standards. ASA 210 (Revised and Redrafted) deals with circumstances where law or regulation prescribes the layout or wording of the auditor's report in terms that are significantly different from the requirements of the Australian Auditing Standards.

²² See ASA 200 (Revised and Redrafted), paragraph A55.

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

- A43. The auditor may refer in the auditor's report to the audit having been conducted in accordance with both Australian Auditing Standards as well as other auditing standards when, in addition to complying with the relevant other auditing standards, the auditor complies with each of the Australian Auditing Standards relevant to the audit.²³
- A44. A reference to both Australian Auditing Standards and other auditing standards is not appropriate if there is a conflict between the requirements in the Australian Auditing Standards and those in the other auditing standards that would lead the auditor to form a different opinion or not to include an Emphasis of Matter paragraph that, in the particular circumstances, is required by the Australian Auditing Standards. For example, some other auditing standards prohibit the auditor from including an Emphasis of Matter paragraph to highlight a going concern problem, whereas ASA 570 (Revised and Redrafted) requires the auditor to add an Emphasis of Matter paragraph in such circumstances.²⁴ In such a case, the auditor's report refers only to the auditing standards (either Australian Auditing Standards or the other auditing standards) in accordance with which the auditor's report has been prepared.

Supplementary Information Presented with the Financial Report (Ref: Para. 46-47)

- A45. In some circumstances, the entity may be required by law, regulation or standards, or may voluntarily choose, to present together with the financial report supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.
- A46. The auditor's opinion covers supplementary information that cannot be clearly differentiated from the financial report because of its nature and how it is presented. For example, this would be the case when the notes to the financial statements include an explanation of the extent to which the financial report complies with another

²³ See ASA 200 (Revised and Redrafted), paragraph A56.

²⁴ See ISA 570 (Redrafted), "Going Concern," paragraph 19.

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financial reporting framework. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial report.

- A47. Supplementary information that is covered by the auditor's opinion does not need to be specifically referred to in the introductory paragraph of the auditor's report when the reference to the notes in the description of the statements that comprise the financial report in the introductory paragraph is sufficient.
- A48. Law or regulation may not require that the supplementary information be audited, and management may decide not to ask the auditor to include the supplementary information within the scope of the audit of the financial report.
- A49. The auditor's evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion includes, for example, where that information is presented in relation to the financial report and any audited supplementary information, and whether it is clearly labelled as "unaudited."
- A50. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by:
- Removing any cross references from the financial report to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear.
 - Placing the unaudited supplementary information outside of the financial report or, if that is not possible in the circumstances, at a minimum place the unaudited notes together at the end of the required notes to the financial statements and clearly label them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.
- A51. The fact that supplementary information is unaudited does not relieve the auditor of the responsibility to read that information to identify material inconsistencies with the audited financial report. The auditor's responsibilities with respect to unaudited

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supplementary information are consistent with those described in ASA 720 (Revised and Redrafted).²⁵

Draft

²⁵ See ASA 720 (Revised and Redrafted) *The Auditor's Responsibilities Relating to Other Information in Documents Containing the Audited Financial Report*.

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Conformity with International Standards on Auditing

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

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

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

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

Compliance with this Auditing Standard enables compliance with ISA 700.

Appendix 1

(Ref: Para.. A14)

Illustrations of Auditors' Reports on a Financial Report

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

Example Auditor's Report
General Purpose—fair presentation

Illustration 1:

Circumstances include the following:

- **Audit of a financial report.**
- **The financial report is prepared for a general purpose by management of the entity in accordance with Australian Accounting Standards but *not* in accordance with the requirements of the *Corporations Act 2001*.**
- **The terms of the audit engagement reflect description of management's responsibility for the financial report in ASA 210 (Revised and Redrafted).**
- **In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report²⁶

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

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

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Management's²⁷ Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation²⁸ 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 the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 presentation²⁹ 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.³⁰ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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

²⁸ Where management's responsibility is to prepare the financial report 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 [relevant financial reporting framework] and for such..."

²⁹ In the case of footnote 28, 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."

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

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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.

Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of ABC Entity as at 30 June, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note XX.†

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]*

[Date of the auditor's report]

[Auditor's address]

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

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

Example Auditor's Report
Single Company—*Corporations Act 2001*

Illustration 1A:

Circumstances include the following:

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

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report*

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

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

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Directors' Responsibility for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note XX, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards*.[#]

Auditor's Responsibility

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

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

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

Independence

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

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

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Opinion

In our opinion:

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

Report on the Remuneration Report[§]

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

Opinion

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

[Auditor's signature][‡]

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

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

[‡] The auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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[Date of the auditor's report]

[Auditor's address]

Draft

Example Auditor's Report
General Purpose—compliance

Illustration 2:

Circumstances include the following:

- **Audit of a financial report required by law or regulation.**
- **The financial report is prepared for a general purpose by management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X (i.e., a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework). The financial report is *not* prepared in accordance with the requirements of the *Corporations Act 2001*.**
- **The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210 (Revised and Redrafted).**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

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

Management's³¹ Responsibility for the Financial Report

Management is responsible for the preparation of the financial report in accordance with XYZ Law of Jurisdiction X, and for such internal control as management determines is necessary to enable the preparation of the

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

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financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 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.³² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial report.

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

Opinion

In our opinion, the financial report of ABC Entity for the year ended 30 June, 20X1 is prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

[Auditor's signature]*

[Date of the auditor's report]

[Auditor's address]

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

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

Example Auditor's Report
Consolidated Entity—fair presentation

Illustration 3:

Circumstances include the following:

- **Audit of a consolidated entity's financial report prepared for a general purpose by management of the parent in accordance with Australian Accounting Standards but *not* in accordance with the requirements of the *Corporations Act 2001*.**
- **The terms of the group audit engagement reflect the description of management's responsibility for the financial report in ASA 210 (Revised and Redrafted).**
- **In addition to the audit of the group financial report, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Consolidated Financial Report³³

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

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

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

Management's³⁴ Responsibility for the Financial Report

Management is responsible for the preparation and fair presentation³⁵ 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 the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 presentation³⁶ 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.³⁷ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of

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

³⁵ 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 the financial report that gives a true and fair view in accordance with [relevant financial reporting framework], and for such ..."

³⁶ In the case of footnote 35, 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."

³⁷ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the 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 35, 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."

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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.

Opinion

In our opinion:

- (a) the financial report presents fairly, in all material respects, (or gives a true and fair view of) the financial position of 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
- (b) the [consolidated/parent financial statements and notes or financial report^{††}] also comply [complies] with *International Financial Reporting Standards* as disclosed in Note XX.^{†††}

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]*

[Date of the auditor's report]

[Auditor's address]

^{††} Use "consolidated" or "parent" as appropriate where the entity has made the AASB 101 statement of compliance under paragraph Aus16.1 (a) or paragraph Aus16.1 (b). Where the entity states that both the parent and consolidated financial statements and notes comply with IFRSs, use the term "financial report".

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

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

Example Auditor's Report
Consolidated Entity—*Corporations Act 2001*

Illustration 3A:

Circumstances include the following:

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

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report*

We have audited the accompanying financial report of ABC Company, which comprises the statements of financial position as at 30 June 20X1, and the statements of comprehensive income, the statements of changes in equity and the statements of cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the company and the consolidated entity comprising the [company/registered scheme/disclosing

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

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entity] and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note XX, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards*.[#]

Auditor's Responsibility

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

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

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

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

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Independence

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

Opinion

In our opinion:

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

Report on the Remuneration Report[§]

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

^{††} Use "consolidated" or "parent" as appropriate where the entity has made the AASB 101 statement of compliance under paragraph Aus16.1 (a) or paragraph Aus16.1 (b). Where the entity states that both the parent and consolidated financial statements and notes comply with IFRSs, use the term "financial report".

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

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

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Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

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

[Auditor's signature][‡]

[Date of the auditor's report]

[Auditor's address]

Draft

[‡] The auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.