

This Proposed auditing Standard is presented to the board post exposure.

Agenda Item 8(f).3  
AUASB Meeting 1-2 June 2009  
Marked Up Version

## **ASA 800**

(June 2009)

# ***Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (Revised and Redrafted)***

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



**Australian Government**

**Auditing and Assurance Standards Board**

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This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: [www.auasb.gov.au](http://www.auasb.gov.au).

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ISSN 1833-4393

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## PREFACE

### **Reasons for Issuing Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (Revised and Redrafted)***

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* 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 special considerations in the application of Australian Auditing Standards to an audit of a financial report, or a complete set of financial statements, prepared in accordance with a special purpose framework.

This Auditing Standard:

- (a) deals with the special considerations in the application of Australian Auditing Standards to an audit of a financial report, or a complete set of financial statements, prepared in accordance with a special purpose framework;
- (b) outlines the auditor’s considerations in accepting the engagement, and planning and performing the audit;
- (c) requires the auditor to consider other Australian Auditing Standards in forming an opinion, and reporting on, the special purpose financial report, in particular ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Revised and Redrafted); and
- (d) requires the auditor to include in the auditor’s report an emphasis of matter paragraph to alert readers of the financial report that it is prepared in accordance with a special purpose framework.

### **AUASB Information Note**

The IAASB has announced completion of the “Clarity” project. While all conforming amendments known at the time of issuing the Exposure Draft are incorporated into this proposed Auditing 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 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (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.

## AUDITING STANDARD ASA 800

### *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (Revised and Redrafted)*

#### Application

Aus 0.1 This Auditing Standard applies to:

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

Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information prepared in accordance with a special purpose framework.

#### 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. ~~The Australian Auditing Standards (ASAs) in the ASA 100 - ASA 700 series apply to an audit of a financial report, or a complete set of financial statements~~ statements. This ~~ISA Auditing Standard~~ deals with special considerations in the application of those ~~Australian ISA Auditing Standards~~ to an audit of a financial ~~statements report or a complete set of financial statements~~ prepared in accordance with a special purpose framework.
2. ~~This ISA~~ This Auditing Standard is written in the context of a ~~complete set of financial report, or a complete set of financial statements, statements~~ prepared in accordance with a special purpose

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framework. ISA-ASA 805 (Revised and Redrafted)<sup>1</sup> deals with special considerations relevant to an audit of a single financial statement or of a specific element, ~~account~~account, or item of a financial statement.

3. This ISA Auditing Standard does not override the requirements of the other Australian ISA Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

**Effective Date**

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

**Objective**

5. The objective of the auditor, when applying Australian ISA Auditing Standards in an audit of a financial report statements prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:

- (a) The acceptance of the engagement;
- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the financial ~~statements~~report.

**Definitions**

6. For the purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) ~~Special purpose financial statements—Financial statements prepared in accordance with a special purpose framework. [Deleted by AUASB. Refer Aus 6.1] (Ref: Para. A4)~~
  - (b) Special purpose framework means—A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework

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<sup>1</sup> See AISA 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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may be a fair presentation framework or a compliance framework.<sup>2</sup> (Ref: Para. A1-A4)

Aus 6.1 Special purpose financial report means a complete set of financial statements, including the related notes, and where applicable, directors' declaration (or a declaration by those responsible for the financial report) about the statements and notes, prepared in accordance with a special purpose framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine what constitutes a complete set of financial statements in accordance with a special purpose framework. (Ref: Para A4)

7. Reference to "financial statements" in this ISA means "a complete set of special purpose financial statements, including the related notes". 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 statements, and what constitutes a complete set of financial statements. [Deleted by AUASB. Refer Aus 7.1]

Aus 7.1 A reference to "financial report" in this Auditing Standard is also taken to include a "complete set of financial statements."

## **Requirements**

### **Considerations When Accepting the Engagement**

#### *Acceptability of the Financial Reporting Framework*

8. ISA/ASA 210 (Redrafted)(Revised and Redrafted) requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements report.<sup>3</sup> In an audit of a special purpose financial statements report, the auditor shall obtain an understanding of: (Ref: Para. A5-A8)

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<sup>2</sup> See AISA 200 (Revised and Redrafted), "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing International Standards on Auditing," paragraph 13(a).

<sup>\*</sup> See for example, the Corporations Act 2001 or Australian Accounting Standards.

<sup>3</sup> See AISA 210 (Redrafted)(Revised and Redrafted), "Agreeing the Terms of Audit Engagements," paragraph 6(a).

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- (a) The purpose for which the financial ~~statements report is~~ are prepared;
- (b) The intended users; and
- (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances. (Ref: Para. A5-A8)

*Considerations When Planning and Performing the Audit*

- 9. ~~ISA~~ ASA 200 (Revised and Redrafted) requires the auditor to comply with all Australian ISA Auditing Standards relevant to the audit.<sup>4</sup> In planning and performing an audit of a special purpose financial ~~statements report~~, the auditor shall determine whether application of the Australian ISA Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9-A12)
- 10. ~~ISA~~ ASA 315 (~~Redrafted~~) (Revised and Redrafted) requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.<sup>5</sup> In the case of a financial ~~statements report~~ prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of ~~that~~ these financial ~~report statements~~. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial ~~statements report~~.

**Forming an Opinion and Reporting Considerations**

- 11. When forming an opinion and reporting on a special purpose ~~financial statements~~ financial report, the auditor shall apply the requirements in ~~ISA~~ ASA 700 (~~Redrafted~~) (Revised and Redrafted).<sup>6</sup> (Ref: Para. A13)

*Description of the Applicable Financial Reporting Framework*

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<sup>4</sup> ~~See~~ ISA 200 (Revised and Redrafted), paragraph 18.

<sup>5</sup> ~~See~~ ISA 315 (~~Redrafted~~) (Revised and Redrafted), "Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment," paragraph 11(c).

<sup>6</sup> ~~See~~ ISA 700 (~~Redrafted~~) (Revised and Redrafted), "Forming an Opinion and Reporting on a Financial Report Statements."

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12. ~~ISA~~ ~~ASA~~ 700 (~~Redrafted~~)(~~Revised and Redrafted~~) requires the auditor to evaluate whether the financial ~~statements report~~ adequately refers to, or ~~describes~~ ~~describes~~ the applicable financial reporting framework.<sup>7</sup> In the case of ~~a~~ financial ~~statements report~~ prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the ~~financial statements~~ ~~financial report~~ adequately describes any significant interpretations of the contract on which the financial ~~statements report is~~ ~~are~~ based.
13. ~~ISA~~ ~~ASA~~ 700 (~~Redrafted~~)(~~Revised and Redrafted~~) deals with the form and content of the auditor's report. In the case of an auditor's report on ~~a~~ special purpose financial ~~statements report~~:
- (a) The auditor's report shall also describe the purpose for which the financial ~~statements are~~ ~~report is~~ prepared and, if necessary, the intended users, or refer to a note in the special purpose financial ~~statements report~~ that contains that information; and
  - (b) If management has a choice of financial reporting frameworks in the preparation of such ~~a~~ financial ~~statements report~~, the explanation of management's<sup>8</sup> responsibility for the financial ~~statements report~~ shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

*Alerting Readers that the Financial ~~Statements Are Report is~~ Prepared in Accordance with a Special Purpose Framework*

14. The auditor's report on ~~the~~ special purpose financial ~~report~~ ~~statements~~ shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial ~~statements are~~ ~~report is~~ prepared in accordance with a special purpose framework and that, as a result, the financial ~~statements report~~ may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading. (Ref: Para. A14-A15)

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<sup>7</sup> See ~~ISA~~ ~~ASA~~ 700 (~~Redrafted~~)(~~Revised and Redrafted~~), paragraph 15.

<sup>8</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

## Application and Other Explanatory Material

### Definition of Special Purpose Frameworks (Ref: Para. 6)

A1. Examples of special purpose frameworks are:

- A tax basis of accounting for a ~~set of~~ financial ~~report~~statements that accompany an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 In Australia, the *Corporations Act 2001*<sup>\*</sup>, Australian Accounting Standards<sup>\*\*</sup>, or other applicable laws, regulations or specific users determine if a financial report is required to be prepared. Australian Accounting Standards provide the applicable financial reporting framework for determining if the entity is a 'reporting entity' or a 'non-reporting entity' and consequently if the financial report is required to be general purpose or special purpose. For 'reporting entities' preparing a financial report in accordance with the *Corporations Act 2001*, the framework is ordinarily general purpose. For "non-reporting entities" preparing a financial report in accordance with the *Corporations Act 2001*, the framework is able to be general or special purpose.<sup>†</sup>

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorized or recognized standards setting organization or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial

<sup>\*</sup> See Division 1 of Part 2M.3 of the *Corporations Act 2001* for relevant sections.

<sup>†</sup> For example, see ASIC Regulatory Guide 85 *Reporting Requirements for non-reporting entities*.

<sup>\*\*</sup> For example, refer AASB 101 *Presentation of Financial Statements or Statement of Accounting Concepts 1 Definition of the Reporting Entity*.

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~~statements report~~ to be prepared in accordance with most, but not all, of the ~~Financial Reporting Standards of Jurisdiction X~~ Australian Accounting Standards. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose ~~financial statements~~ financial report to imply full compliance with the financial reporting framework established by the ~~authorised~~ authorised or ~~recognised~~ recognised standards setting ~~organisation~~ organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the ~~Financial Reporting Standards of Jurisdiction X~~ Australian Accounting Standards.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the ~~authorised~~ authorised or ~~recognised~~ recognised standards setting ~~organisation~~ organisation or by law or regulation that are necessary to achieve fair presentation of the financial ~~report~~ statements.

A4. ~~A financial report~~ statements prepared in accordance with a special purpose framework may be the only ~~financial statements~~ financial report an entity prepares. In such circumstances, ~~that~~ these ~~financial report~~ statements may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the ~~financial statements~~ financial report in those circumstances, it is still considered to be a financial report prepared in accordance with a special purpose framework under the financial statements are still considered to be special purpose financial statements for purposes of the Australian ISA Auditing Standards. The requirements in paragraphs 13-14 are designed to avoid misunderstandings about the purpose for which the financial ~~report~~ statements ~~is~~ are prepared.

### **Considerations When Accepting the Engagement**

*Acceptability of the Financial Reporting Framework* (Ref: Para. 8)

A5. In the case of a special purpose financial ~~report~~ statements, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial ~~report~~ statements.

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- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organization that is authorized or recognized to promulgate standards for a special purpose financial ~~report statements~~. In that case, those standards will be presumed acceptable for that purpose if the organization follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial ~~report statements~~ for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial ~~report statements~~ prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ~~ISA~~ASA 210 ~~(Redrafted)~~~~(Revised and Redrafted)~~ requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.<sup>9</sup>
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ~~ISA~~ASA 210 ~~(Redrafted)~~~~(Revised and Redrafted)~~. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional ~~judgment~~~~judgement~~. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

**Considerations When Planning and Performing the Audit** (Ref: Para. 9)

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<sup>9</sup> See ~~ISA~~ASA 210 ~~(Redrafted)~~~~(Revised and Redrafted)~~, ~~paragraph~~~~paragraph 18~~~~(to be inserted)~~.

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- A9. ~~ISA~~ASA 200 (Revised and Redrafted) requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial ~~statement report~~ audit engagements, and (b) all ~~ISA Auditing Standards~~ relevant to the audit. It also requires the auditor to comply with each requirement of an ~~Australian ISA Auditing Standard~~ unless, in the circumstances of the audit, the entire ~~ISA Auditing Standard~~ is not relevant or the requirement is not relevant because it is conditional ~~and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA by performing alternative audit procedures to achieve the aim of that requirement.~~<sup>10</sup>
- A10. Application of some of the requirements of the ~~ISA Auditing Standards~~ in an audit of ~~a~~ special purpose financial ~~report statements~~ may require special consideration by the auditor. For example, in ~~ISA~~ASA 320 (Revised and Redrafted), ~~judgment judgements~~ about matters that are material to users of the financial ~~report statements~~ ~~are is~~ based on a consideration of the common financial information needs of users as a group.<sup>11</sup> In the case of an audit of ~~a~~ special purpose financial ~~report statements~~, however, those ~~judgment judgements~~ are based on a consideration of the financial information needs of the intended users.
- A11. In the case of ~~a~~ special purpose financial ~~statements report~~, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ~~ISA~~ASA 320 (Revised and Redrafted) for purposes of planning and performing the audit of the special purpose financial ~~statements report~~.
- A12. Communication with those charged with governance in accordance with ~~Australian ISA Auditing Standard~~s is based on the relationship

<sup>10</sup> ~~See AISA 200 (Revised and Redrafted), paragraphs 14, 18 and Aus 22.1 and Aus 23.12-23.~~

<sup>11</sup> ~~See ISA 320 (Revised and Redrafted), "Materiality in Planning and Performing an Audit,"~~ paragraph 2.

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between those charged with governance and the financial ~~statements report~~ subject to audit, in particular, whether those charged with governance are responsible for overseeing the preparation of the ~~these financial statements report~~. In the case of a special purpose financial ~~statements report~~, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of ~~ISA/ASA~~ 260 (Revised and Redrafted)<sup>12</sup> may not be relevant to the audit of the special purpose financial ~~statements report~~, except when the auditor is also responsible for the audit of the entity's general purpose financial ~~statements report~~ or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial ~~statement reports~~.

**Forming an Opinion and Reporting Considerations** (Ref: Para. 11)

A13. The Appendix to this ~~ISA Auditing Standard~~ contains illustrations of auditors' reports on ~~the~~ special purpose financial ~~statements report~~.

*Alerting Readers that the Financial ~~Statements Are Report is~~ Prepared in Accordance with a Special Purpose Framework* (Ref: Para. 14)

A14. The special purpose financial ~~statements report~~ may be used for purposes other than ~~those~~ for which ~~it was they were~~ intended. For example, a regulator may require certain entities to place the special purpose financial ~~statements report~~ on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report that the financial ~~statements are report is~~ prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.

*Restriction on Distribution or Use* (Ref: Para. 14)

A15. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly.

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<sup>12</sup> See ~~ISA~~ 260 (Revised and Redrafted), "Communication with Those Charged with Governance."<sup>2</sup>

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**Conformity with International Standards on Auditing**

This Auditing Standard conforms with International Standard on Auditing ISA 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* (Revised and 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”.

Compliance with this Auditing Standard enables compliance with ISA 800.

## Appendix 1

(Ref: Para. A13)

### Illustrations of Auditors' Reports on a Special Purpose Financial Statements Report

- Illustration 1: An auditor's report on a complete ~~set of financial report statements~~ prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a complete ~~set of financial report statements~~ prepared in accordance with the tax basis of accounting ~~in Jurisdiction X~~ (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a complete ~~set of financial report statements~~ prepared in accordance with the financial reporting provisions established by a regulatory authority (for purposes of this illustration, a fair presentation framework).
- Illustration 4 (Australian Insert): An auditor's report on special purpose financial report prepared by a non-reporting entity under the Corporations Act 2001 (for purposes of this illustration, a special purpose framework).

**Example Auditors Report – A Financial Report prepared  
for Compliance with a Contract  
(Compliance framework)**

**Illustration 1:**

Circumstances include the following:

- The financial ~~statements~~ report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (i.e., a special purpose framework) to comply with the provisions of that contract. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- The financial report is not in accordance with the Corporations Act 2001.
- The terms of the audit engagement reflect the description of management’s ~~responsibility~~ responsibility for the financial ~~statements report~~ in ISA/ASA 210 (Redrafted) (Revised and Redrafted).
- Distribution and use of the auditor’s report ~~are~~ is restricted.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying ~~financial statements~~ financial report of ~~ABC Company~~ ABC Entity, which comprise the balance sheet as at ~~December 31~~ 30 June, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The ~~financial statements~~ financial report ~~have~~ has been prepared by the management ~~management~~ of ~~ABC Company~~ ABC Entity based on the financial reporting provisions of Section Z of the contract dated January 1, 20X1 between ~~ABC Company~~ ABC Entity and DEF Company (“the contract”).

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**Management's<sup>13</sup> Responsibility for the ~~Financial Statements~~Financial Report**

Management is responsible for the preparation of this~~ese~~ financial ~~report~~statements in accordance with the financial reporting provisions of Section Z of the contract; ~~this includes the design, implementation and maintenance of and for such~~ internal control ~~as management determines is necessary to enable the relevant to the~~ preparation of ~~a financial statements~~financial report that ~~is are~~ free from material misstatement, whether due to fraud or error. ~~Note X to the financial report describes the basis of accounting that management have selected in the preparation of the financial report.~~

**Auditor's Responsibility**

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

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

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<sup>13</sup> ~~Or other term that is appropriate in the context of the legal framework~~Or another term that is appropriate in the context of the legal framework in the particular jurisdiction.~~in the particular jurisdiction.~~

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

**Opinion**

In our opinion, the financial ~~statements-report~~ of ~~ABC Company~~ABC Entity for the year ended ~~December 31~~June, 20X1 ~~are~~is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract.

**Basis of Accounting and Restriction on Distribution and Use**

Without modifying our opinion, we draw attention to Note X to the financial ~~statements-report~~, which describes the basis of accounting. The financial ~~statements are-report is~~ prepared to assist ~~ABC Company~~ABC Entity to comply with the financial reporting provisions of the contract referred to above. As a result, the financial ~~statements-report~~ may not be suitable for another purpose. Our report is intended solely for ~~ABC Company~~ABC Entity and DEF Company and should not be distributed to or used by parties other than ~~ABC Company~~ABC Entity or DEF Company.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

**Example Auditors Report – Financial Report prepared in  
accordance with a Tax basis of Accounting  
(Compliance framework)**

**Illustration 2:**

Circumstances include the following:

- The financial ~~statements have~~**report has** been prepared by management of a partnership in accordance with the tax basis of accounting ~~in Jurisdiction X~~ (i.e., a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- ~~The financial report is not in accordance with the Corporations Act 2001.~~
- The terms of the audit engagement reflect the description of management's ~~responsibility~~**responsibility** for the financial ~~report~~**statements** in ~~ISA~~**ASA** 210 ~~(Redrafted)~~**(Revised and Redrafted)**.
- **Distribution of the auditor's report is restricted.**
- \_\_\_\_\_

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial ~~report statements~~ of ABC Partnership, which comprise the balance sheet as at ~~December~~ ~~31~~**30 June**, 20X1 and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial ~~statements~~ report has been prepared by management using the tax basis of accounting ~~in Jurisdiction X~~.

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**Management's<sup>14</sup> Responsibility for the Financial ~~Statements~~Report**

Management is responsible for the preparation of ~~these the~~ financial ~~report~~statements in accordance with the tax basis of accounting ~~in~~ ~~Jurisdiction X~~; ~~and for such internal control as management determines is necessary to enable the this includes the design, implementation and maintenance of internal control relevant to the~~ preparation of a financial ~~statements~~report that ~~is are~~ free from material misstatement, whether due to fraud or error. ~~Note X to the financial report describes the basis of accounting that management have selected in the preparation of the financial report.~~

**Auditor's Responsibility**

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

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

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

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<sup>14</sup> ~~Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.~~ Or another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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**Opinion**

In our opinion, the financial ~~statements-report~~ of ABC Partnership for the year ended ~~December 31~~ 30 June, 20X1 ~~is are~~ prepared, in all material respects, in accordance with [describe the applicable income tax law] ~~of Jurisdiction X.~~

**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to Note X to the financial ~~statements-report~~, which describes the basis of accounting. The financial ~~report is~~ ~~statements are~~ prepared to assist the partners of ABC Partnership in preparing their individual income tax returns. As a result, the financial ~~statements-report~~ may not be suitable for another purpose. Our report is intended solely for ABC Partnership and its partners and should not be distributed to parties other than ABC Partnership or its partners.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

**Example Auditors Report – Financial Report prepared to  
meet Regulatory Authority requirements  
(Fair presentation framework)**

**Illustration 3:**

Circumstances include the following:

- The financial ~~statements have~~report has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulatory authority (i.e., a special purpose framework) to meet the requirements of that ~~regulator~~authority. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is not in accordance with the Corporations Act 2001.
- The terms of the audit engagement reflect the description of management's responsibility for the financial ~~statements-report~~ in ISA~~ASA~~ 210 ~~(Redrafted)~~(Revised and Redrafted).
- Distribution or use of the auditor's report is not restricted.
- The Other Matter paragraph refers to the fact that the auditor has also issued an auditor's report on the financial report ~~statements~~ prepared by ~~ABC Company~~ABC Entity for the same period in accordance with a general purpose framework.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

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

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financial ~~statements~~ report has been prepared by management based on the financial reporting provisions of Section Y of Regulation Z.

**Management's<sup>15</sup> Responsibility for the Financial ~~Statements~~ Report**

Management is responsible for the preparation and fair presentation<sup>16</sup> of these financial ~~statements~~ report in accordance with the financial reporting provisions of Section Y of Regulation Z, ~~and for such internal control as management determines is necessary to enable the this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of a financial statements report that is are~~ free from material misstatement, whether due to fraud or error. ~~Note X to the financial report describes the basis of accounting that management have selected in the preparation of the financial report.~~

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial ~~statements~~ report. The procedures selected depend on the auditor's ~~judgment~~ judgement, including the assessment of the risks of material misstatement of the financial ~~statements~~ report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation<sup>17</sup> of the financial ~~statements~~ report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

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<sup>15</sup> ~~Or another term that is appropriate in the context of the legal framework in the particular jurisdiction. Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.~~

<sup>16</sup> ~~Depending on the circumstances Where management's responsibility is to prepare a financial report that gives a true and fair view, this sentence may read: "Management is are~~ responsible for the preparation of ~~financial statements~~ the financial report that give a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z, ~~and for such...~~

<sup>17</sup> ~~Depending on the circumstances. In the case of footnote 16, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements~~ the financial report that give 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."

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internal control.<sup>18</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial ~~statements~~report.

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

### **Opinion**

In our opinion, the financial ~~report~~statements presents fairly, in all material respects, (or give a true and fair view of) the financial position of ~~ABC Company~~ABC Entity as at ~~December 31~~30 June, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of Section Y of Regulation Z.

### **Basis of Accounting**

Without modifying our opinion, we draw attention to Note X to the financial ~~report~~statements, which describes the basis of accounting. The financial ~~statements~~report is ~~is~~ prepared to assist ~~ABC Company~~ABC Entity to meet the requirements of Regulatory Authority DEF. As a result, the financial ~~report~~ statements may not be suitable for another purpose.

### **Other Matter**

~~ABC Company~~ABC Entity has prepared a separate ~~set of~~ financial ~~statements~~report for the year ended ~~December 31~~30 June, 20X1 in accordance with ~~International Financial Reporting~~ Australian Accounting Standards on which we issued a separate auditor's report to the shareholders of ~~ABC Company~~ABC Entity dated March 31, 20X2.

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<sup>18</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the ~~financial statements~~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 statements~~financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 186, this ~~sentence~~ may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of ~~financial statements~~the financial report that give a true and fair view in order to design audit procedures that are appropriate in the circumstances."

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|  
[Auditor's signature]

[Date of the auditor's report]

| [Auditor's address]

Draft

**Example Auditors Report – Financial Report prepared by  
non-reporting entity to meet reporting requirements under  
the Corporations Act 2001  
(Special purpose framework)**

**Aus Illustration 4:**

**Circumstances include the following:**

- **The financial report has been prepared by management of the entity in accordance with the financial reporting provisions set by the entity. The entity is a small-proprietary company controlled by a foreign company which has not lodged a financial report with ASIC (i.e. the company is a ‘non-reporting’ entity).**
- **The entity has financial reporting requirements under the Corporations Act 2001.**
- **The applicable financial reporting framework is a special purpose framework, determined by management.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210 (Revised and Redrafted).**
- **Distribution or use of the auditor’s report is restricted.**

**INDEPENDENT AUDITOR’S REPORT**

To the members of {ABC Entity~~name of entity~~}

**Report on the Financial Report**

We have audited the accompanying financial report, being a special purpose financial report, of {name of entity~~ABC Entity~~}, which comprises the statement of financial position~~balance sheet~~ as at 30 June 20XX1, and the statement of comprehensive income~~statement~~, statement of changes in equity and the statement of cash flows for the year then ended, and notes comprising~~statement of changes in equity and cash flow statement for the year then~~

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~~ended~~, a summary of significant accounting policies, other explanatory notes and the [~~those charged with governance~~Directors']<sup>19</sup> declaration.<sup>20</sup>

**Management's Responsibility<sup>19</sup> The Responsibility of [Those Charged with Governance] for the Financial Report**

~~[Those charged with governance] Management is -of the entity are~~ responsible for the preparation and fair presentation of the financial report in accordance with and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial reporting requirements of the [constitution Corporations Act 2001]<sup>21</sup> and for and are appropriate to meet the needs of the members. The [those charged with governance]'s responsibility also includes such internal control as management determines is necessary to enable the establishing and maintaining internal controls relevant to the preparation and fair presentation of athe financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. Note X to the financial report describes the basis of accounting that management have selected in the preparation of the financial report. In Note XX, management also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report complies with *International Financial Reporting Standards*.<sup>#</sup>

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<sup>19</sup> – Or another term that is appropriate in the context of the legal framework in the particular jurisdiction. Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

<sup>20</sup> – When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited financial report is presented.

<sup>21</sup> – Insert reference to appropriate mandate.

<sup>#</sup> – 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 *Presentation of Financial Statements*.

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**Auditor’s Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. ~~No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members.~~ We have conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report 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.<sup>22</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by ~~those charged with governance~~management, as well as evaluating the overall presentation of the financial report.

~~The financial report has been prepared for distribution to members for the purpose of fulfilling the [those charged with governance] financial reporting under the [constitution]. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.~~

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*.

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<sup>22</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances”.

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~~In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.<sup>23</sup>~~

Draft

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<sup>23</sup> Include where appropriate.

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**Auditor's Opinion**

~~In our opinion, the financial report presents fairly, in all material respects, (or “gives a true and fair view of”) the financial position of [name of entity] as of 30 June 20XX and of its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements. In our opinion, the financial report of [name of entity] is in accordance with the Corporations Act 2001, including:~~

~~\_\_\_\_\_ giving a true and fair view of the [entity]'s<sup>24</sup> financial position as at 30 June 20X1 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and~~

~~(b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.~~

~~OR~~

~~{~~In our opinion:

~~(a) \_\_\_\_\_ the financial report of [name of entity] ABC Entity is in accordance with the *Corporations Act 2001*, including:~~

~~(i) \_\_\_\_\_ giving a true and fair view of the [entity] ABC Entity's financial position as ~~of~~at 30 June 20X~~1~~ and of its financial performance and its cash flows for the year then ended on that date in accordance with the accounting policies described in Note 1 to the financial report; and~~

~~(ii) \_\_\_\_\_ complying with Australian Accounting Standards to the extent described in Note 1 to the financial reporting, and complying with the *Corporations Regulations Act 2001*; and~~

~~(b) \_\_\_\_\_ the financial report also complies with International Financial Reporting Standards as disclosed in Note XX. ~~}~~~~

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<sup>24</sup> State entity type e.g. 'company.'

<sup>†</sup> 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 should refer to ASA 705 (Revised and Redrafted) Modifications to the Opinion in the Independent Auditor's Report.

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**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for distribution to the members of ABC Entity for the purpose of fulfilling management's financial reporting under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of ABC Entity and should not be distributed to or used by parties other than the members of ABC Entity.

**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]