

Agenda Item 7.5
AUASB Meeting 14 June 2011
Marked up version

ASA 2011-1
(June 2011)

Auditing Standard
ASA 2011-1
Amendments to Australian
Auditing Standards

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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Conformity with International Standards on Auditing

PREFACE

Reasons for Issuing ASA 2011-1 Amendments to Australian Auditing Standards

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2011-1 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory 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 Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

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

Auditing Standard Amended by ASA 2011-1

This Auditing Standard makes amendments to the following Auditing Standards:

- | | |
|---------|---|
| ASQC 1 | <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements</i> |
| ASA 101 | <i>Preamble to Australian Auditing Standards</i> |
| ASA 102 | <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i> |
| ASA 210 | <i>Agreeing the Terms of Audit Engagements</i> |
| ASA 220 | <i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i> |
| ASA 240 | <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i> |

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- ASA 250** *Consideration of Laws and Regulations in an Audit of a Financial Report* ←
- ASA 260 *Communication with Those Charged with Governance*
- ASA 300 *Planning an Audit of a Financial Report*
- ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- ASA 320 *Materiality in Planning and Performing an Audit*
- ASA 402** *Audit Considerations Relating to an Entity Using a Service Organisation* ←
- ASA 500** *Audit Evidence* ←
- ASA 501 *Audit Evidence – Specific Considerations for Inventory and Segment Information*
- ASA 502 *Audit Evidence – Specific Considerations for Litigation and Claims*
- ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting estimates, and Related Disclosures*
- ASA 550 *Related Parties*
- ASA 560 *Subsequent Events*
- ASA 570 *Going Concern*
- ASA 580 *Written Representations*
- ASA 700 *Forming an Opinion and Reporting on a Financial Report*
- ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report*
- ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*
- ASA 710 *Comparative Information – Corresponding Figures and Comparative Financial Reports*
- ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

Auditing Standard ASA 2011-1
Amendments to Australian Auditing Standards

ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*

Draft

Main Features

This Auditing Standard makes amendments to ~~other the~~ Auditing Standards [listed above](#).

The amendments comprise:

1. Consequential changes necessary to acknowledge issuance, by the Accounting Professional and Ethical Standards Board, of APES 110 *Code of Ethics for Professional Accountants*, in December 2010; and
2. Editorial amendments made by the AUASB.

The amendments do not have an impact on the requirements of the ~~amended~~ Auditing Standards.

Operative Date

[This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2011. Early adoption is permitted.](#)

Auditing Standard ASA 2011-1
Amendments to Australian Auditing Standards

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2011-1 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

M H Kelsall
Chairman - AUASB

AUDITING STANDARD ASA 2011-1

Amendments to Australian Auditing Standards

Application

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.
 - (c) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; and
 - (d) a firm that performs:
 - (i) an audit of a financial report for a financial year, or an audit or review of a financial report for a half-year, in accordance with the *Corporations Act 2001*;
 - (ii) an audit or review of a financial report, or a complete set of financial statements, for any other purpose;
 - (iii) an audit or review of other historical financial information;
 - (iv) an audit or review other than of historical financial information; and
 - (v) other assurance engagements.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Auditing Standard ASA 2011-1
Amendments to Australian Auditing Standards

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2011. Early adoption is permitted.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to the Australian Auditing Standards. The amendments arise principally from editorial corrections and have no impact on the requirements of the amended Auditing Standards.

~~[Amendments are identified as marked up changes in this amending standard – new text is and deleted text is struck through]~~

5. In addition, amendments are made to ASA 102¹ in recognition of revised *APES 110 Code of Ethics for Professional Accountants*, issued in December 2010 by the Accounting Professional and Ethical Standards Board.

- ~~6. The AUASB publishes compiled Auditing Standards, in clarity format, on the AUASB website. These compiled standards incorporate the amendments in this Auditing Standard.~~

6. This Auditing Standard uses underlying, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this Auditing Standard do not include that underlining, striking out or other typographical material.



Based on AASB wording.

Objective

7. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
- (a) *ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements*
 - (b) *ASA 101 Preamble to Australian Auditing Standards*

¹ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

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Amendments to Australian Auditing Standards

- (c) ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*
- (d) ASA 210 *Agreeing the Terms of Audit Engagements*
- (e) ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*
- (f) ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*
- ~~(f)~~ (g) **ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*** ←
- ~~(g)~~ (h) ASA 260 *Communication with Those Charged with Governance*
- ~~(h)~~ (i) ASA 300 *Planning an Audit of a Financial Report*
- ~~(i)~~ (j) ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- (k) ASA 320 *Materiality in Planning and Performing an Audit*
- (l) **ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation*** ←
- ~~(j)~~ (m) **ASA 500 *Audit Evidence*** ←
- ~~(k)~~ (n) ASA 501 *Audit Evidence – Specific Considerations for Inventory and Segment Information*
- ~~(l)~~ (o) ASA 502 *Audit Evidence – Specific Considerations for Litigation and Claims*
- ~~(m)~~ (p) ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting estimates, and Related Disclosures*
- ~~(n)~~ (q) ASA 550 *Related Parties*
- ~~(o)~~ (r) ASA 560 *Subsequent Events*
- ~~(p)~~ (s) ASA 570 *Going Concern*
- ~~(q)~~ (t) ASA 580 *Written Representations*

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- ~~(r)~~(u) ASA 700 *Forming an Opinion and Reporting on a Financial Report*
- ~~(s)~~(v) ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*
- ~~(t)~~(w) ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- ~~(u)~~(x) ASA 710 *Comparative Information – Corresponding Figures and Comparative Financial Reports*
- ~~(v)~~(y) ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*
- ~~(w)~~(z) ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity.*

Definitions

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

Amendments to Auditing Standard

CONSEQUENTIAL AMENDMENTS

Amendments to ASA 102

9. The second sentence of paragraph 4(e) is amended to read as follows:
- Relevant ethical requirements means ethical requirements that apply to the auditor, assurance practitioner, engagement quality control reviewer and firm. In Australia, these include the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008 [and December 2010 as applicable](#)), the applicable provisions of the *Corporations Act 2001* and other applicable law or regulation.
10. The first sentence of paragraph A1 is amended to read as follows:

Auditing Standard ASA 2011-1
Amendments to Australian Auditing Standards

The auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008 [and December 2010 as applicable](#)), which are to be taken into account in determining whether relevant ethical requirements referred to in paragraph 5 of this Auditing Standard have been met. In relation to audits and reviews undertaken in accordance with the *Corporations Act 2001*, the provisions of Division 3 Part 2M.4 of the Act may also apply.

EDITORIAL AMENDMENTS

Amendment to ASQC 1

11. The second sentence of paragraph Aus A63.1 is amended to read as follows:

Unless otherwise specified by law or regulation, engagement documentation remains the property of the firm. The firm may, at its discretion, make portions of, or extracts from, engagement documentation available to clients, provided such disclosure does not undermine the validity of the work performed, ~~and also, in the case of assurance engagements, or~~ the independence of the firm or its personnel.

12. Footnote * attached to paragraph Aus 12.12 (second bullet point) is amended to read as follows:

For example, the Institute of Chartered Accountants in Australia, CPA Australia and the ~~National~~ Institute of ~~Public~~ Accountants.

13. Footnote * attached to paragraph A53 is amended to read as follows:

For example, the professional accounting bodies in Australia comprises the Institute of Chartered Accountants in Australia, CPA Australia and the ~~National~~ Institute of ~~Public~~ Accountants.

Amendments to ASA 101

14. The page header on pages 8 to 12 is amended to read as follows:

~~Proposed~~ Auditing Standard ASA 101
Preamble to Australian Auditing Standards

15. Paragraph 3 is amended to read as follows:

Auditing Standard ASA 2011-1
Amendments to Australian Auditing Standards

This Auditing Standard is operative for engagements with financial reporting periods commencing on or after 1 January 2010, and for firms required to establish systems of quality control in compliance with ASQC 1 by 1 January 2010.



Amendments to ASA 210

16. The first bullet point in paragraph A4 is amended to read as follows:



- The nature of the entity (for example, whether it is a business enterprise, a public sector entity or a not-for-profit organisation);

17. The last line of paragraph 4 in Appendix 2 is amended to read as follows:

When the auditor makes such a comparison and differences are identified, the decision as to whether the accounting conventions adopted in the preparation of the financial report constitute an acceptable financial reporting framework includes considering the reasons for the differences and whether application of the accounting conventions, or the description of the financial reporting framework in the financial report, could result in a financial report that ~~are~~ is misleading.

Amendments to Example of an Audit Engagement Letter - Appendix 1

18. The last sentence in the first paragraph is amended to read as follows:

Our audit will be conducted with the objective of ~~our~~ expressing an opinion on the financial report.

19. The last sentence of the paragraph headed *Annual General Meetings* is amended to read as follows:

To assist us in meeting this requirement in the *Corporations Act 2001* relating to Annual General Meetings, we request you provide to us written questions submitted to you by shareholders as soon as practicable after the question(s) is received and no later than five business days before the Annual General Meeting, regardless of whether you believe them to be irrelevant. [Applicable only to listed entities]

Amendments to ASA 220

20. Paragraph 7(j)(i) is amended to read as follows:

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That is aimed at cooperation; and

21. The second sentence in paragraph A23 is amended to read as follows:

In the case of an audit of a financial report of ~~an~~ a listed entity or when an engagement meets the criteria for an engagement quality control review, such a review assists the auditor in determining whether sufficient appropriate evidence has been obtained.

Amendment to ASA 240

22. The second sentence in paragraph A30 is amended to read as follows:

For example, the auditor may conclude that there is no risk of material misstatement due to fraud relating to revenue recognition in the case where a there is a single type of simple revenue transaction, for example, leasehold revenue from a single unit rental property.

Amendments to ASA 250

23. Footnote 2, attached to paragraph 5, is amended to read as follow:

See ASA 200, paragraphs A51-A52

Amendments to ASA 260

24. Paragraph Aus 0.1 (a) is amended to read as follows:

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*;

25. Footnote * attached to paragraph Aus 17.1 is amended to read as follow:

See, for example, section 292 of the *Corporations Act 2001*...

Amendment to ASA 300

26. The last sub-heading in Appendix 1 is amended by bolding the text as follows:

Nature, Timing and Extent of Resources

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Amendments to Australian Auditing Standards

Amendments to ASA 315

27. The first sentence in paragraph A26 is amended to read as follows:

A special-purpose entity (sometimes referred to as a special purpose vehicle) is an entity that is generally established for a narrow and well-defined purpose, such as to effect a lease or a securitisation of financial ~~assess~~ assets, or to carry out research and development activities.

28. The first sentence of paragraph 3 in Appendix 1 is amended to read as follows:

For financial reporting purposes, the entity's risk assessment process includes how management identifies business risks relevant to the preparation of the financial report in accordance with the entity's applicable financial reporting framework, estimates their significance, assesses the likelihood of their occurrence, and decides upon actions to respond to and manage them and the results thereof.

29. The sub-heading immediately above paragraph 5 in Appendix 1 is amended to read as follows:

**Information System, Including the Related Business Processes,
Relevant ~~To to~~ Financial Reporting, ~~And and~~ Communication**

Amendment to ASA 320

30. The title page of the standard is amended to read as:

**Auditing Standard ASA 320
Materiality in Planning and Performing an Audit**

Amendment to ASA 402

31. The last sentence in paragraph A19 is amended to read as follows:

The user auditor, using the work of another auditor, may find the guidance in ASA 600² useful as it relates to understanding another auditor (including that auditor's independence and professional competence), involvement in the work of another auditor in planning the nature, ~~extent and timing~~ and extent of such work, and in evaluating the sufficiency and appropriateness of the audit evidence obtained.

² See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraphs 2 and 19.

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Amendments to Australian Auditing Standards

Amendment to ASA 500

32. The last bullet point in paragraph A45 is amended to read as follows:

- The nature of internal and external data or information the auditor's management's expert uses

Amendment to ASA 501

33. Paragraph Aus 0.1 (a) is amended to read as follows:

an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with ~~of~~ the *Corporations Act 2001*;

Amendments to ASA 502

34. The second sentence of the fifth paragraph in the Preface is amended to read as follows:

~~ASA508-ASA 508~~ contains requirements and guidance that the AUASB considers important to carry forward in the Australian Auditing Standards, and as a result, the revised standard is better suited to presentation as a separate standard.

35. The reference in the sub-heading immediately above paragraph A4 is amended to read as follows:

Reviewing Legal Expense Accounts (Ref: Para. 4(c))

Amendment to ASA 540

36. The last bullet point in paragraph A87 is amended to read as follows:

- There are alternative sources of relevant data available to the auditor which can be used in ~~making~~ developing a point estimate or a range.

37. The second paragraph under the heading "Conformity with International Standards on Auditing" is amended to read as follows:

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".

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Amendments to Australian Auditing Standards

Amendments to ASA 550

38. Footnote 7 attached to paragraph 11 is amended to read as follows:
See ASA 315, paragraph 5; ~~an~~and ASA 240, paragraph 16.
39. The sub-heading immediately above paragraph A23 is aligned to the left margin and amended to read as follows:
Arrangements that may indicate the existence of previously unidentified or undisclosed related party relationships or transactions ([Ref: Para. 15](#))

Amendment to ASA 560

40. Paragraph 10(b) is amended to read as follows:
Determine whether the financial report needs amendment; ~~and, if so...~~

Amendments to ASA 570

41. The last sentence in paragraph A8 is amended to read as follows:
In this case, the auditor's evaluation of the appropriateness of management's assessment may be made without performing detailed evaluation procedures if the auditor's other audit procedures are sufficient to enable the auditor to conclude whether management's use of the going concern assumption in the preparation of the financial report is appropriate in the circumstances.
42. The third sentence in paragraph A12 is amended to read as follows:
For example, the continuance of a small entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favour of banks or other creditors, or the owner-manager supporting a loan for the entity by providing a guarantee with the owner-manager's personal assets as collateral.

Amendments to Example Auditor's Reports – [Aus] Appendices 2 and 3

43. The first bullet point text in the box describing [Aus] Illustration 2 in [Aus] Appendix 2 is amended to read as follows:
Audit of a single company's financial [report](#).

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44. [Aus] Appendix 2, [Aus] Illustration 1 and [Aus] Illustration 2; and [Aus] Appendix 3, [Aus] Illustration 1 - the third sentences of the second paragraphs describing the *Auditor's Responsibility* are amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the company's preparation ~~and fair presentation~~ 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 company's internal control.

45. [Aus] Appendix 2, [Aus] Illustration 3; and [Aus] Appendix 3, [Aus] Illustration 1 – the paragraphs describing the *Directors' Responsibility for the Financial Report* are amended to read as follows:

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

46. [Aus] Appendix 3, [Aus] Illustration 1 - the first sentence of the *Emphasis of Matter* paragraph is amended to read as follows:

Without ~~qualifying-modifying~~ our opinion, we draw attention to Note X in the financial report, which indicates that the company incurred a net loss of ZZZ during the year ended 30 June 20X1 and, as of that date, the company's current liabilities exceeded its total assets by YYY.

47. [Aus] Appendix 2, [Aus] Illustrations 1, 2 & 3; and [Aus] Appendix 3, [Aus] Illustrations 1 - the ~~headings and~~ subheadings of the reports are amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report

48. [Aus] Appendix 2, [Aus] Illustrations 1, 2 & 3; and [Aus] Appendix 3, [Aus] Illustrations 1 - as a result of the amendments in paragraph 47 above, new footnotes are introduced as follows:

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† 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.

Amendments to ASA 580

Amendments to Example Representation Letter – Appendix 2

49. The second sentence in the first paragraph in Appendix 2 is amended to read as follows:

It is assumed in this illustration that the applicable financial reporting framework is the Australian Accounting Standards and the *Corporations Act 2001*; the requirements of ASA 57010 and ASA 710# to obtain written representations are not relevant; and that there are no exceptions to the requested written representations.

50. As a result of the amendment in paragraph 49 above, a new footnote is introduced following footnote 10:

See ASA 710 Comparative Information – Corresponding Figures and Comparative Financial Reports.

51. The second paragraph in Appendix 2 is amended to read as follows:

This representation letter is provided in connection with your audit of the financial report of ABC Entity Company Ltd for the year ended 30 June 20XX [or period covered by the auditor’s report] for the purpose of expressing an opinion as to whether the financial report ~~is presented fairly, gives a true and fair view~~ in all material respects, (or gives a true and fair view) in accordance with the Australian Accounting Standards and the *Corporations Act 2001*.

52. The fourth paragraph in Appendix 2 is amended to read as follows:

We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated [insert date], for the preparation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001*; in particular the financial report ~~is fairly presented (or gives a true and fair view)~~ in accordance therewith.

53. Under the subheading “*Information Provided*” in Appendix 2, new information is introduced as the third bullet point:

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We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud;

54. Under the subheading “*Information Provided*” in Appendix 2, new information is introduced as the eighth bullet point:

We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial report; and accounted for and disclosed in accordance with [the applicable financial reporting framework]. (ASA 502)

Amendments to ASA 700

Amendments to Example Auditor’s Reports – Appendix 1

55. Illustrations 1 and 3 – the first sentence of the paragraph headed *Management’s Responsibility for the Financial Report* is amended to read as follows:

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

56. Illustrations 1A and 3A – the first sentence of the paragraph headed *Directors’ Responsibility for the Financial Report* is amended to read as follows:

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

57. Illustration 2 - the sub-headings relating to management and auditor responsibilities are amended to read as follows:

Management’s³¹ Responsibility for the Financial Statements
Auditor’s Responsibility

Management’s³¹ Responsibility for the Financial Statements
Auditor’s Responsibility

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58. [Aus] Illustration 1A – the third sentence of the second paragraph describing the *Auditor’s Responsibility* is amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the entity’s company’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 company’s internal control.

59. [Aus] Illustration 3A - the third sentence of the second paragraph under the subheading *Auditor’s Responsibility* is amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the entity’s company’s preparation and fair presentation 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 company’s internal control.

Amendment to ASA 705

60. Paragraph A24 is amended to read as follows:

Illustrations 3 and 3A in Appendix 1 contains an auditor’s report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence.

Amendments to Example Auditor’s Reports – Appendix 1

61. Illustrations 1, 2, 3, 4 and 5 – the paragraph headed *Management’s Responsibility for the Financial Report* is amended to read as follows:

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

62. Illustration 3A – the paragraph headed *Directors’ Responsibility for the Financial Report* is amended to read as follows:

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

Amendments to ASA 706

63. Paragraph Aus A1.1 is amended to read as follows:

Ordinarily, ~~a significant an~~ uncertainty, the resolution of which may materially affect the financial report, would warrant an Emphasis of Matter paragraph in the auditor's report.

64. The first bullet point text in the box describing [Aus] Illustration 1A in Appendix 3 is amended to read as follows:

- Audit of a single ~~entity's company's~~ financial report.

Amendments to Example Auditor's Reports – Appendix 3

65. Illustration 1 – the first sentence of the paragraph headed *Management's Responsibility for the Financial Report* is amended to read as follows:

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

66. [Aus] Illustration 1A - the third sentence of the second paragraph describing the *Auditor's Responsibility* is amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the ~~entity's company'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.

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67. Illustration 1A – the first sentence of the paragraph headed *Directors' Responsibility for the Financial Report* is amended to read as follows:

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

68. Illustration 1 and [Aus] Illustration 1A - the second sentences of the *Emphasis of Matter* paragraphs are amended to read as follows:

Our opinion is not ~~qualified~~ modified in respect of this matter.

Amendments to ASA 710

Amendments to Example Auditor's Reports – Appendix 1

69. Illustrations 1A and 2A – the paragraph headed *Directors' Responsibility for the Financial Report* is amended to read as follows:

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

70. [Aus] Illustration 1A - the third sentence of the second paragraph describing the *Auditor's Responsibility* is amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the company's preparation ~~and fair presentation~~ 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 company's internal control.

71. [Aus] Illustration 2A - the paragraph describing the *Directors' Responsibility for the Financial Report* is amended to read as follows:

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

72. [Aus] Illustration 2A - the third sentence of the second paragraph describing the *Auditor's Responsibility* is amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the company'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 company's internal control.

73. Illustrations 1,2, 3, and 4 – the paragraph headed *Management's Responsibility for the Financial Report* is amended to read as follows:

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

74. Illustrations 1,2, 3, 4 and [Aus] illustrations 1A and 2A – the third sentence of the first paragraph describing the *Auditor's Responsibility* is amended to read as follows:

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.

Amendments to ASA 800

Amendments to Example Auditor's Reports – Appendix 1

75. Illustration 3 - the paragraph describing *Management's Responsibility for the Financial Report* is amended to read as follows:

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Management is responsible for the preparation¹⁶ **and fair presentation** of the financial 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 preparation **and fair presentation** of a financial report that is free from material misstatement, whether due to fraud or error.



76. [Aus] Illustration 4 - a new subheading is introduced at the beginning of the report as follows:



INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report†

77. [Aus] Illustration 4 - as a result of the amendment in paragraph 76 above, a new footnote is introduced as follows:



† **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.**

78. [Aus] Illustration 4 - a new subheading is introduced at the end of the report as follows:



Report on Other Legal and Regulatory Requirements

79. [Aus] Illustration 4 - the paragraph describing *The Directors' Responsibility for the Financial Report* is amended to read as follows:

The directors of the company are responsible for the preparation of the financial report **that gives a true and fair view** and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that **gives a true and fair view** and is free from material misstatement, whether due to fraud or error.



80. [Aus] Illustration 5 - the first paragraph of the example auditor's report is amended to read as follows:

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We have audited the accompanying financial report, being a special purpose financial report, of ABC Not-for-Profit Incorporated, which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the officers' assertion statement.

81. [Aus] Illustration 5 – the paragraph titled “Officers’ Responsibility for the Financial Report” is amended as follows:

The officers of ABC Not-for-Profit Incorporated are responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note X, is appropriate to meet the requirements of the *Applicable State Act* and is appropriate to meet the needs of the members. The officers’ responsibility also includes such internal control as the officers determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

82. [Aus] Illustration 5 - the sub-heading to the last paragraph is amended to read as follows:

Basis of Accounting ~~and Restriction on Distribution~~

83. [Aus] Illustration 5 - the third sentence of the second paragraph under the sub-heading “Auditor’s Responsibility” is amended to read as follows:

In making those risk assessments, the auditor considers internal control relevant to the association’s preparation and fair presentation 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 association’s internal control.

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84. Illustrations 1,2, and 3 – the third sentence of the first paragraph describing the *Auditor's Responsibility* is amended to read as follows:

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.

85. The sub-headings in the example auditor's reports are amended to read as follows:

[Illustrations 1, 2 and 3]

~~Management's Responsibility for the Financial Report
Auditor's Responsibility
Opinion~~

[Management's Responsibility for the Financial Report
Auditor's Responsibility
Opinion](#)

[Illustrations 1]

~~Basis of Accounting and Restriction on Distribution and Use~~
[Basis of Accounting and Restriction on Distribution and Use](#)

[Illustrations 2]

~~Basis of Accounting and Restriction on Distribution~~
[Basis of Accounting and Restriction on Distribution](#)

[Illustrations 3]

~~Basis of Accounting
Other Matter~~

[Basis of Accounting
Other Matter](#)

[[Aus] Illustrations 4]

~~Directors' Responsibility for the Financial Report
Auditor's Responsibility
Independence~~

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Opinion
Basis of Accounting

Directors' Responsibility for the Financial Report
Auditor's Responsibility
Independence
Opinion
Basis of Accounting

[[Aus] Illustrations 5]

Officers' Responsibility for the Financial Report
Auditor's Responsibility
Opinion
Basis of Accounting and Restriction on Distribution

Officers' Responsibility for the Financial Report
Auditor's Responsibility
Opinion
Basis of Accounting

Amendments to ASRE 2410

86. Paragraph 39 is amended to read as follows:

The auditor shall express a qualified ~~opinion-conclusion~~ when, in rare circumstances, there is a limitation on the scope of the auditor's work that is confined to one or more specific matters, which while material, is not in the auditor's judgement pervasive to the financial report, and when the auditor concludes that an unqualified opinion cannot be expressed.

Amendments to Example Engagement Letter – Appendix 1

87. The first sentence of the second last paragraph under the sub-heading "Scope", is amended to read as follows:

The directors [those charged with governance¹¹] of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors [those charged with governance] determine ~~are~~ is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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88. The example engagement letter is amended to include a new paragraph directly before the last paragraph under the sub-heading “Scope”, the amendment reads as follows:

The directors [those charged with governance] of the [company/registered scheme/disclosing entity] acknowledge and understand they have responsibility to provide us with:

- (i) access to information relevant to the preparation of the financial report;
- (ii) additional information that we may request for the purposes of the review engagement; and
- (iii) unrestricted access to persons from whom we determine it is necessary to obtain evidence.

Amendments to Example Representation Letter – Appendix 1

89. The second bullet point under the sub-heading *Notes: (a) Exceptions* is amended to read as follows:

If the entity has plans that impact the carrying values of assets and liabilities, Item ~~43-5~~ (above) could be modified to read:

“The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plan to dispose of segment X, as disclosed in note Y in the ~~in the~~ financial report, which is discussed in the minutes of the meeting of the governing body² held on [date]”.

Amendments to Example Auditor’s Report – Appendix 3

90. The sub-headings in the example auditor’s report are amended to read as follows:

~~Directors’ Responsibility for the Half-Year Financial Report~~
~~Auditor’s Responsibility~~
~~Independence~~
~~Conclusion~~

Directors’ Responsibility for the Half-Year Financial Report
Auditor’s Responsibility
Independence
Conclusion

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91. The paragraph headed *Directors' Responsibility for the Half-Year Financial Report* is amended to read as follows:

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year 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 [those charged with governance] determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error

92. The second sentence of the paragraph describing the *Auditor's Responsibility* is amended to read as follows:

We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the [company's/registered scheme's/disclosing entity's] financial position as at 31 December 20XX and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Amendments to Example Auditor's Reports – Appendix 4

93. The sub-headings in the example auditor's reports are amended to read as follows:

[Example of an Unmodified Auditor's Review Report on a Financial Report]

~~[Title of Those Charged with Governance] Responsibility for the [period] Financial Report
Auditor's Responsibility
Independence
Conclusion~~

[Title of Those Charged with Governance] Responsibility for the [period] Financial Report
Auditor's Responsibility
Independence
Conclusion

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[Example of an Auditor's Review Report with a Qualified Conclusion (Except for) for a Departure from the Applicable Financial Reporting Framework]

~~[Title of Those Charged with Governance] Responsibility for the
[period] Financial Report
Auditor's Responsibility
[Independence
Basis for Qualified Conclusion
Qualified Conclusion~~

[Title of Those Charged with Governance] Responsibility for the
[period] Financial Report
Auditor's Responsibility
[Independence
Basis for Qualified Conclusion
Qualified Conclusion

[Example of an Auditor's Review Report with a Qualified Conclusion for a Limitation on Scope Not Imposed by Management]

~~[Title of Those Charged with Governance] Responsibility for the
[period] Financial Report
Auditor's Responsibility
[Independence
Basis for Qualified Conclusion
Qualified Conclusion~~

[Title of Those Charged with Governance] Responsibility for the
[period] Financial Report
Auditor's Responsibility
[Independence
Basis for Qualified Conclusion
Qualified Conclusion

[Example of an Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework]

~~[Title of Those Charged with Governance] Responsibility for the
[period] Financial Report
Auditor's Responsibility
[Independence
Basis for Adverse Conclusion
Adverse Conclusion~~

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[Title of Those Charged with Governance] Responsibility for the [period] Financial Report Auditor's Responsibility [Independence Basis for Adverse Conclusion Adverse Conclusion

[Example of an Auditor's Review Report with a Qualified Conclusion (Except for) on the Basis that Comparatives have not been Reviewed or Audited]

~~*[Title of Those Charged with Governance] Responsibility for the [period] Financial Report Auditor's Responsibility [Independence Basis for Qualified Conclusion Qualified Conclusion*~~

[Title of Those Charged with Governance] Responsibility for the [period] Financial Report Auditor's Responsibility [Independence Basis for Qualified Conclusion Qualified Conclusion

94. Example of an Unmodified Auditor's Review Report on a Financial Report, sub-heading: *[Title of Those Charged with Governance] Responsibility for the [period] Financial Report* – the paragraph is amended to read as follows:

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.



95. Example of an Auditor's Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework, sub-heading: *[Title of Those Charged with Governance] Responsibility for the [period] Financial Report* – the paragraph is amended to read as follows:

The [title of those charged with governance] of the [type of entity] are responsible for the preparation and fair presentation of the

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[period] financial report in accordance with the [applicable financial reporting framework] and for such **internal** control as the directors [those charged with governance] determine is necessary to enable the preparation **and fair presentation** of the [period] financial report that is free from material misstatement, whether due to fraud or error.



96. Example of an Auditor's Review Report with a Qualified Conclusion for a Limitation on Scope Not Imposed by Management, sub-heading: *[Title of Those Charged with Governance] Responsibility for the [period] Financial Report* – the paragraph is amended to read as follows:

The [title of those charged with governance] of the [type of entity] are responsible for the preparation **and fair presentation** of the [period] financial report in accordance with the [applicable financial reporting framework] and for such **internal** control as the directors [those charged with governance] determine is necessary to enable the preparation **and fair presentation** of the [period] financial report that is free from material misstatement, whether due to fraud or error.



97. Example of an Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework, sub-heading: *[Title of Those Charged with Governance] Responsibility for the [period] Financial Report* – the paragraph is amended to read as follows:

The [title of those charged with governance] of the [type of entity] are responsible for the preparation **and fair presentation** of the [period] financial report in accordance with the [applicable financial reporting framework] and for such **internal** control as the directors [those charged with governance] determine is necessary to enable the preparation **and fair presentation** of the [period] financial report that is free from material misstatement, whether due to fraud or error.



98. Example of an Auditor's Review Report with a Qualified Conclusion (Except for) on the Basis that Comparatives have not been Reviewed or Audited, sub-heading: *[Title of Those Charged with Governance] Responsibility for the [period] Financial Report* – the paragraph is amended to read as follows:

The [title of those charged with governance] of the [type of entity] are responsible for the preparation **and fair presentation** of the [period] financial report in accordance with the [applicable financial reporting framework] and for such **internal** control as the directors



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[those charged with governance] determine is necessary to enable the preparation **and fair presentation** of the [period] financial report that is free from material misstatement, whether due to fraud or error.



* * *

Draft

Conformity with International Standards on Auditing

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

Compliance with this Auditing Standard does not affect compliance with the ISAs.

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