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GS 001

(~~xxx~~July 2008~~7~~)

Guidance Statement GS 001 *Concise Financial Reports*

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

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 001 *Concise Financial Reports* as set out in paragraphs 1 to 35 and Appendix 1, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on procedural auditing and assurance matters.

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

This Guidance Statement does not prescribe or create new mandatory requirements.

Dated ~~9xxx-July_2008~~7

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS 001

Concise Financial Reports

Application

- 1 This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors reporting on a concise financial report prepared under the *Corporations Act 2001* (“the Act”).

Issuance Date

- 2 This Guidance Statement is issued on ~~xxx9 July 2007-2008~~ by the AUASB and replaces the ~~guidance contained in Appendix 3 previous version, Guidance Statement GS 001 Concise Financial Reports and Appendix 5 of AUS 702 The Audit Report on a General Purpose Financial Report issued in May 2002 July 2007-~~

Introduction

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

Regulatory Requirements

- 4 The annual financial reporting requirements of a company, registered scheme and disclosing entity are found in Section 314(1) of the Act.
- 5 Section 314(2) of the Act states:
- A concise report for a financial year consists of:
- (a) a concise financial report for the year drawn up in accordance with accounting standards made for the purpose of this paragraph; and

- (b) the directors' report for the year (see sections 298-300A);
and

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- (c) a statement by the auditor:
 - (i) that the financial report has been audited; and
 - (ii) whether, in the auditor's opinion, the concise financial report complies with the accounting standards made for the purpose of paragraph (a); and
- (d) a copy of any qualification in, and of any statements included in the emphasis of matter section of, the auditor's report on the financial report; and
- (e) a statement that the report is a concise report and that the full financial report and auditor's report will be sent to the member free of charge if the member asks for them.

6 Section 314 of the Act does not require a concise report to include the directors' declaration made under section 295(4) of the Act in respect of the (full) financial report for the year. Consequently, where the directors of an entity decide to include the directors' declaration as part of the concise report, the auditor, under *ASA 720 Other Information in Documents Containing Audited Financial Reports*, needs to read the declaration, along with other documents comprising the concise report, to identify material inconsistencies with the concise financial report and any material misstatements of fact.

7 Section 314(3) of the Act requires the auditor to report on whether the *discussion and analysis*, if required by the Accounting Standard to be included in the concise financial report¹, complies with the requirements laid down by the Accounting Standard. Furthermore, section 314(3)(b) specifies that the auditor need not otherwise audit the statements made in the *discussion and analysis*.

8 The requirements of the Act relating to concise financial reports are based on the view that a concise financial report can provide members with information relevant to evaluating the business, without giving them fully detailed accounting disclosures. The concise report will, in many cases, be the only report that is sent to members². The provision, to some members, of less detailed information is expected to be sufficient to meet their needs for an understanding of the financial performance, financial position and financing and investing activities of the company, registered scheme or disclosing entity.

¹ *Discussion and analysis* are not required for listed companies – AASB 1039 paragraph ~~5.324~~. This is because, unlike other entities, listed companies are required by section 299A of the Act to provide an operational and financial report in the directors' report (which is included in the concise report).

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

Accounting Standard AASB 1039

- 9 The Australian Accounting Standards Board issued Accounting Standard AASB 1039 *Concise Financial Reports*, the latest revision of which, dated ~~April 2005~~ August 2008, is operative for financial reporting periods ~~ending beginning~~ on or after ~~31 December 2005~~ 1 January 2009 (~~early adoption is permitted~~).

Discussion and Analysis

- 10 The Accounting Standard, *inter alia*, specifies the minimum content of a concise financial report, including a requirement that the financial statements forming part of that concise financial report, other than that of a listed company, be accompanied by *discussion and analysis* to assist the understanding of members.
- 11 AASB 1039 adopts the view that the information reported in the financial statements forming part of the concise financial report will be enhanced by *discussion and analysis* of the principal factors which affect the financial performance, financial position and financing and investing activities of an entity. According to AASB 1039, the extent of *discussion and analysis* which is required to be provided in concise financial reports will vary from entity to entity, and from year to year, as is necessary in the circumstances to compensate for the brevity of the concise financial report, compared with the (full) financial report for the year.
- 12 AASB 1039 does not require the financial statements, forming part of the concise financial report of listed companies, to be accompanied by *discussion and analysis*. This is so as to avoid repetition of information required to be included in the directors' report by section 299A of the Act.
- 13 Whilst AASB 1039 does not mandate specific *discussion and analysis* disclosures, paragraph ~~5.3.327~~ of the Standard does provide various examples of the types of disclosures that may, at least, be expected to accompany the financial statements.

Materiality

- 14 AASB 1039 paragraph ~~1.35~~ specifies that the ~~disclosure~~ requirements in AASB 1039 are subject to the requirements of AASB 1031 *Materiality*.

Engagement Acceptance

15 Given that the concise financial report is an alternative form of reporting to members under the Act, and that the Act prescribes the auditor's reporting requirements, the AUASB takes the view that the audit of the concise financial report is treated, by auditors, as a separate engagement from the audit of the (full) financial report for the year. This view has been taken also because procedures, additional to those performed on the (full) financial report for the year, will be necessary when undertaking the audit of the concise financial report. ~~For example, in certain circumstances, given that AASB 1039 requires the entities other than listed companies to include of other information, in certain circumstances, not found in the (full) financial report for the year, such as (i.e. discussion and analysis).~~

16 In order to avoid any misunderstandings in relation to the audit of the concise financial report, the auditor, under ASA 210 *Terms of Audit Engagements*, needs to agree the terms of the audit engagement with the entity and record these ~~confirm~~ in writing. The terms would ordinarily include the objective and scope of the audit of the concise financial report (including the audit of *discussion and analysis* disclosures in that report). ~~This confirmation~~ These terms may be included in the written terms of the audit engagement for the (full) financial report. On recurring audits, the terms of the engagement are revised and re-confirmed as appropriate.

Audit Procedures

17 As the inclusion of *discussion and analysis* is not required in the (full) financial report for the year of some entities reporting under the Act, the audit of a concise financial report will include procedures to enable the auditor to reach a conclusion on the *discussion and analysis*, as part of forming an opinion on the concise financial report.

18 These procedures may include, a recalculation of ratios and/or trend analyses which have been included in the *discussion and analysis*; and ensuring that these disclosures are consistent with the information in the entity's financial statements.

19 Whilst AASB 1039 requires that the financial statements and the specific disclosures in a concise financial report be consistent with the (full) financial report for the year of the entity, it is recognised that because of the nature of *discussion and analysis*, such information (for example, a discussion and analysis of the main influences on the costs of the operations of the entity) goes beyond the type of disclosure which is included normally in the audited (full) financial report for the year.

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- 20 In such circumstances, the auditor selects and applies appropriate procedures to be able to reach a conclusion on the *discussion and analysis* and evaluates the results of such procedures when forming an opinion on whether the *discussion and analysis* complies with the requirements of AASB 1039. In selecting and applying procedures and evaluating results, the auditor exercises professional judgement in accordance with ASA 200 *Objective and General Principles Governing an Audit of a Financial Report*.
- 21 Where information which is of a subjective and/or prospective nature is included in the *discussion and analysis*, either to comment on, or to augment the entity's financial statements forming part of the concise financial report (for example, a discussion of the impact of significant economic or other events on the operations of the entity), the auditor assesses whether the inclusion of such information in the audited concise financial report has the potential to mislead users.
- 22 Under ASA 200, the auditor exercises professional judgement in assessing the inclusion of such information in the *discussion and analysis*. If the auditor considers that this information is overly subjective and/or prospective in nature, and/or that it is information which cannot be quantified or verified, then the auditor refers to Auditing Standard ASA 701 *Modifications to the Auditor's Report*, for requirements and guidance on modifying the auditor's report. Depending on the circumstances, the modification to the auditor's report may be as a result of a disagreement with the directors (those charged with governance) on the adequacy or appropriateness of disclosures in the concise financial report or may be as a result of a limitation in scope.
- 23 In view of the matters discussed above, it is generally important that the auditor ascertains from the directors (those charged with governance), at an early stage during the audit, the extent and nature of the *discussion and analysis* that they intend to include in the concise financial report.
- 24 In ascertaining the extent and nature of the *discussion and analysis* at an early stage the auditor seeks to avert any difficulties which might otherwise arise with regard to the inclusion of such information. The directors (those charged with governance) are thus informed at that stage if, in the auditor's opinion, there is any possibility that users might be misled by the inclusion of overly subjective and/or prospective terminology and information in the *discussion and analysis* which forms part of the concise financial report.
- 25 As AASB 1039 requires the concise financial report to be derived from the (full) financial report for the year and each financial statement to be presented as it is in the (full) financial report for the year. As such the relevant audit procedures performed by the auditor in relation to the

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(full) financial report for the year are effectively performed on that information in the concise financial report that has been derived from the (full) financial report for the year.

- 26 The auditor selects and applies procedures in addition to those performed in relation to the (full) financial report for the year when forming an opinion on the concise financial report.
- 27 Reference to “audit” and “audit procedures” in the illustrative examples of auditor’s reports on the concise financial report (Appendix 1), relates to all procedures that have been performed by the auditor (i.e. regarding both financial reports).
- 28 Given that the Act does not require a directors’ declaration to be included in the concise report, prior to issuing the auditor’s report, it would be prudent for the auditor, under ASA 580 *Management Representations*, to obtain a written representation from the entity’s directors which attests that the concise financial report (including, when applicable, *discussion and analysis* disclosures) complies with the requirements of AASB 1039 and the Act.

Auditing Standards

- 29 When auditing the (full) financial report for the year, the auditor complies with the [Australian Auditing Standards \(ASAs\)](#). When selecting and applying procedures in addition to those performed in relation to the (full) financial report for the year, the auditor adheres to the principles contained in the Auditing Standards, to the extent that they are applicable in meeting the objectives of the audit of the concise financial report under the Act.

The Auditor’s Report

- 30 When reporting on the matters required by section 314 of the Act, the auditor adheres to the principles and procedures contained in Auditing Standards ASA 700 *The Auditor’s Report on a General Purpose Financial Report* and ASA 701 *Modifications to the Auditor’s Report*, to the extent they apply to the objectives of the engagement. Appendix 1 provides illustrative examples of unmodified and modified auditor’s reports.
- 31 AASB 1039 requires the concise financial report to be derived from, and consistent with, the (full) financial report for the year. Accordingly, modifications to the auditor’s opinion on the (full) financial report for the year will commonly be applicable to the auditor’s opinion on the concise financial report

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Modifications

- 32 Certain modifications to the auditor's opinion on the (full) financial report for the year, however, may not be applicable to the auditor's opinion on the concise financial report, such as those relating solely to disclosures in the notes to the (full) financial report for the year.
- 33 The auditor may modify the auditor's report relating to the concise financial report only. An example is when an auditor is of the opinion that the *discussion and analysis* does not comply with the requirements of AASB 1039.
- 34 Consistent with Section 314(2) (d) of the Act and Consistent with the requirement in AASB 1039 for the concise financial report to be derived from the (full) financial report for the year, and in the interests of good reporting, it is appropriate that all modifications to the auditor's report on the (full) financial report for the year are ~~reflected~~ disclosed in the auditor's report on the concise financial report, whether or not they are applicable to the auditor's opinion on the concise financial report. ~~—~~ This includes adverse and disclaimer opinions and emphasis of matter paragraphs. See ~~also~~ paragraph 5 above for requirements under section 314(2)(d) of the Act and Appendix 1(B) for further explanation of this section of the Act.
- 35 The illustrative reports in Appendix 1 provide examples of how reporting modifications may be accomplished in differing circumstances.

Conformity with International Pronouncements

- 36 There is no equivalent International Standard on Auditing or International Auditing Practice Statement to this Guidance Statement.

APPENDIX 1

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

Introduction

A. *Form of Reporting*

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

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

- (a) the auditor’s reporting obligations specified in the Act;
- (b) the principles of auditor’s reporting, found in Auditing Standard ASA 700 *The Auditor’s Report on a General Purpose Financial Report*;
- (c) consideration of the nature of concise reports, including concise financial reports, prepared under the Act and AASB 1039; and
- (d) recognition of the relationship, prescribed in AASB 1039, of a concise financial report to the audited (full) financial report for the year.

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

B. *Qualifications*

Section 314(2)(d) of the Act specifies that —“a copy of any qualification in, and of any statements included in the emphasis of

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matter section of, the auditor's report on the financial report—is to be included in a concise report.

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

- (i) An ‘except for’ opinion;
- (ii) An adverse opinion; or
- (iii) An inability to form an opinion.

However, under the current Auditing Standard (ASA 701), the term “qualified” has a specific and different meaning—it refers only to an ‘except for’ type modification to the auditor’s opinion. The terminology used in this Guidance Statement is consistent with the ASAs.

The meaning of the term “emphasis of matter” does not differ between the Act, the AUSs, the ASAs and this Guidance Statement.

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

C. *Directors’ Obligations under the Act*

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

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

Example 1: Unmodified Report

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

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report⁵

The accompanying concise financial report of [name of entity] comprises the ~~balance sheet~~ statement of financial position as at 30 June 20X1, the ~~income statement~~ of comprehensive income, ~~statement of changes in equity (or statement of recognised income and expenses)~~ and statement of cash flows statement* for the year then ended and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis^{6,7}]. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors⁸ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

⁵ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

* The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Statements* applicable for annual reporting periods beginning on or after 1 January 2009 (early adoption is permitted). The previous versions of AASB 101 and AASB 1039 use the titles 'balance sheet', 'income statement', 'statement of changes in equity (or statement of recognised income and expense)' and 'cash flow statement', and auditors should use these titles where applicable.

⁶ A discussion and analysis is not required for listed companies – AASB 1039 paragraph ~~5.324~~ due to their section 299A reporting requirement.

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

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

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Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. Our audit report on the financial report for the year was signed on [date] and was not subject to any modification. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]⁹.

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

*Independence*¹⁰

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. ~~We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report¹¹.~~

⁹ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039 paragraph [5.324](#)

¹⁰ Refer ASIC Class Order 05/83 for details of when an independence paragraph is required in an auditor's report.

¹¹ Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

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Auditor's Opinion

In our opinion, the concise financial report [, including the discussion and analysis¹²] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on Other Legal and Regulatory Requirements¹³

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

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¹² Include when a discussion and analysis has been included in the concise financial report.

¹³ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

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[Auditor's signature]¹⁴

[Date of the auditor's report]

[Auditor's address]

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¹⁴ The auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Example 2: Modified Report

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

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report¹⁵

The accompanying concise financial report of [name of entity] comprises the ~~balance sheet~~ statement of financial position as at 30 June 20X1, the ~~income statement~~ statement of comprehensive income, ~~statement of changes in equity (or statement of recognised income and expenses)~~ and statement of cash flows ~~statement~~ for the year then ended and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis¹⁶]¹⁷. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors¹⁸ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

¹⁵ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheading "Report on Other Legal and Regulatory Requirements" and/or the subheading "Modification to the Auditor's Report on the Financial Report for the Year" are not applicable.

* The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Statements* applicable for annual reporting periods beginning on or after 1 January 2009 (early adoption is permitted). The previous versions of AASB 101 and AASB 1039 use the titles 'balance sheet', 'income statement', 'statement of changes in equity (or statement of recognised income and expense)' and 'cash flow statement', and auditors should use these titles where applicable.

¹⁶ A discussion and analysis is not required for listed companies – AASB 1039 paragraph ~~5.324~~ due to their section 299A reporting requirement.

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

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

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Auditor's Responsibility

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

Our procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]²⁰.

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

*Independence*²¹

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. ~~We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report²².~~

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

²⁰ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039 paragraph [5.324](#)

²¹ Refer ASIC Class Order 05/83 for details of when an independence paragraph is required in an auditor's report.

²² Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration

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Auditor's Opinion

In our opinion, the concise financial report [, including the discussion and analysis²³] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on Other Legal and Regulatory Requirements²⁴

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

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

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

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

[Auditor's signature]²⁵

[Date of the auditor's report]

[Auditor's address]

would differ if it had been given to the relevant directors at the time the auditor's report was made.

²³ Include when a discussion and analysis has been included in the concise financial report.

²⁴ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

²⁵ The auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Example 3: Modified Report

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

IMPORTANT NOTES:

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

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

It is important to remember the "flow-on effect". The qualification on the (full) financial report is the *basis* for qualifying the concise financial report but is not necessarily the qualification itself.

3. Wording used in an auditor's report to describe an auditor's responsibilities will differ according to the circumstances—use the examples in this Appendix as follows:
 - (i) No qualification on (full) financial report—use Example 1
 - (ii) Qualification on (full) financial report that does *not* affect the opinion on the concise financial report—use Example 2
 - (iii) Qualification on (full) financial report that *does* affect the opinion on the concise financial report—use Example 3

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report²⁶

The accompanying concise financial report of [name of entity], comprises the ~~balance sheet~~ statement of financial position as at 30 June 20X1, the statement of comprehensive income statement, statement of changes in equity (~~or statement of recognised income and expenses~~) and statement of cash flows statement for the year then ended and related notes, derived from the audited financial report of [name of entity] for the year ended 30 June 20X1 [and the discussion and analysis^{27,28}]. The concise financial report does not contain all the disclosures required by the Australian Accounting Standards.

Directors²⁹ Responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. Our auditor's report on the financial report for the year was signed on [date] and was subject to

²⁶ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

* The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Statements* applicable for annual reporting periods beginning on or after 1 January 2009 (early adoption is permitted). The previous versions of AASB 101 and AASB 1039 use the titles 'balance sheet', 'income statement', 'statement of changes in equity (or statement of recognised income and expense)' and 'cash flow statement', and auditors should use these titles where applicable.

²⁷ A discussion and analysis is not required for listed companies – AASB 1039 paragraph ~~5.324~~ due to their section 299A reporting requirement.

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

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

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

Our audit procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from and consistent with the financial report for the year, and examination on a test basis, of evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]³¹.

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

*Independence*³²

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. ~~We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report³³.~~

Basis for Qualified Auditor's Opinion

[Include a clear description of all the substantive reasons for the qualification and quantification of the effects.]³⁴

[Copy exactly or appropriately restate the Basis for Qualified Auditor's Opinion paragraph(s) from the auditor's report on the financial report for the

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

³¹ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039 paragraph ~~5-324~~

³² Refer ASIC Class Order 05/83 for details of when an independence paragraph is required in an auditor's report.

³³ Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

³⁴ The qualification affects the opinion on the concise financial report ONLY – for example, a qualification on the *discussion and analysis*.

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year.] This basis for qualification to our opinion on the concise financial report is also a basis for qualification to our opinion on the financial report of (name of entity) for the year³⁵.

Draft

³⁵ Copy exactly or appropriately restate the wording from the basis for modification paragraph(s) from the auditor's report on the (full) financial report for the year that affects the opinion on the concise financial report. Ensure the modification is described as a copy or restatement of a qualification to the opinion on the financial report for the year.

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Qualified Auditor's Opinion

In our opinion, except for the effect on the concise financial report of the matter(s) referred to in the preceding paragraph(s), the concise financial report [, including the discussion and analysis ³⁶] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Report on Other Legal and Regulatory Requirements³⁷

[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]³⁸

[Date of the auditor's report]

[Auditor's address]

³⁶ Include when a discussion and analysis has been included in the concise financial report.

³⁷ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the financial report for the year.

³⁸ The auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Example 4: Modified Report

Modified Auditor's Report on a Concise Financial Report prepared under section 314 of the *Corporations Act 2001* – "Emphasis of Matter"

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]:

Report on the Concise Financial Report³⁹

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

Directors⁴² Responsibility for the Concise Financial Report

The Directors are responsible for the preparation and presentation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation of the concise financial report; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

³⁹ The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the second subheading "Emphasis of Matter in the Auditor's Report on the Financial Report for the Year" and/or the third subheading "Report on Other Legal and Regulatory Requirements", are not applicable.

* The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Statements* applicable for annual reporting periods beginning on or after 1 January 2009 (early adoption is permitted). The previous versions of AASB 101 and AASB 1039 use the titles "balance sheet", "income statement", "statement of changes in equity (or statement of recognised income and expense)" and "cash flow statement", and auditors should use these titles where applicable.

⁴⁰ A discussion and analysis is not required for listed companies – AASB 1039 paragraph ~~5.324~~ due to their section 299A reporting requirement.

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

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

Guidance Statement GS 001 *Concise Financial Reports*

Auditor's Responsibility

Our responsibility is to express an opinion on the concise financial report based on our audit procedures. We have conducted an independent audit, in accordance with Australian Auditing Standards, of the financial report of [name of entity] for the year ended 30 June 20X1. Our audit report on the financial report for the year, was signed on [date] and was [was not⁴³] subject to modification. The modification, an emphasis of matter, affects [does not affect] the concise financial report [because (state reasons)]^{43a}. The Australian Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report for the year is free from material misstatement.

Our audit procedures in respect of the concise financial report included testing that the information in the concise financial report is derived from, and is consistent with, the financial report for the year, and examination on a test basis, of evidence supporting the amounts [, discussion and analysis,] and other disclosures which were not directly derived from the financial report for the year. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports* [and whether the discussion and analysis complies with the requirements laid down in AASB 1039 *Concise Financial Reports*]⁴⁴.

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

*Independence*⁴⁵

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. ~~We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report⁴⁶.~~

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

^{43a} Use this sentence only when the auditor's report on the (full) financial report for the year is modified

⁴⁴ Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039 paragraph ~~5.324~~

⁴⁵ Refer ASIC Class Order 05/83 for details of when an independence paragraph is required in an auditor's report.

⁴⁶ Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

Guidance Statement GS 001 *Concise Financial Reports*

Auditor's Opinion(s)

In our opinion, the concise financial report[, including the discussion and analysis⁴⁷] of [name of entity] for the year ended 30 June 20X1 complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Draft

⁴⁷ Include when a discussion and analysis has been included in the concise financial report.

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Description of Emphasis of Matter

Without qualification (or without further qualification) to the opinion expressed above, attention is drawn to... (include details)⁴⁸. [This emphasis of matter paragraph is included in our auditor's report on the financial report of (name of entity) for the year.]⁴⁹

Emphasis of Matter in the Auditor's Report on the Financial Report for the Year⁵⁰

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

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

Report on Other Legal and Regulatory Requirements⁵¹

[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]⁵²

[Date of the auditor's report]

[Auditor's address]

⁴⁸ Include when the Emphasis of Matter relates to either (a) the concise financial report or (b) both the concise financial report and the (full) financial report for the year.

⁴⁹ Include only when the Emphasis of Matter relates to both the concise financial report and the (full) financial report for the year.

⁵⁰ Include only when the Emphasis of Matter in the auditor's report on the (full) financial report for the year does not relate to the concise financial report.

⁵¹ Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

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