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AUASB Meeting 7-8 September 2009  
Clean Version

**ASA 800**  
(October 2009)

***Auditing Standard ASA 800  
Special Considerations –  
Audits of Financial Reports  
Prepared in Accordance with  
Special Purpose Frameworks***

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

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**Australian Government**

**Auditing and Assurance Standards Board**

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

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## PREFACE

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

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

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## **Main Features**

This Auditing Standard establishes Requirements and provides Application and Other Explanatory Material regarding special considerations in the application of Australian Auditing Standards to an audit of a financial report, or a complete set of financial statements, prepared in accordance with a special purpose framework.

This Auditing Standard:

- (a) details the auditor's considerations when accepting the engagement and planning and performing the audit;
- (b) requires the auditor to apply the Requirements in ASA 700 *Forming an Opinion and Reporting on a Financial Report* when forming an opinion, and reporting on, a special purpose financial report; and
- (c) requires the auditor to include in the auditor's report an emphasis of matter paragraph to alert readers of the financial report that it is prepared in accordance with a special purpose framework.

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Accounting Standards*.

Dated: 27 October 2009

M H Kelsall  
Chairman - AUASB

## AUDITING STANDARD ASA 800

### *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

#### Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a special purpose financial report for a financial year, or an audit of 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, prepared for any other special purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information prepared in accordance with a special purpose framework.

#### Operative Date

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

#### Introduction

##### Scope of this Auditing Standard

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

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with a special purpose framework. ASA 805<sup>1</sup> deals with special considerations relevant to an audit of a single financial statement or of a specific element, account, or item of a financial statement.

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

**Effective Date**

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

**Objective**

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

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

**Definitions**

6. For the purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:

- (a) [Deleted by AUASB. Refer Aus 6.1]
- (b) Special purpose framework means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.<sup>2</sup> (Ref: Para. A1-A4)

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<sup>1</sup> See ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

<sup>2</sup> See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 13(a).

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Aus 6.1 Special purpose financial report means a complete set of financial statements<sup>\*</sup>, including the related notes and an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework<sup>#</sup> determine the form and content of a financial report<sup>†</sup> prepared in accordance with a special purpose framework. (Ref: Para A4)

7. [Deleted by AUASB. Refer Aus 7.1]

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

## **Requirements**

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

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

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.<sup>3</sup> In an audit of a special purpose financial report, the auditor shall obtain an understanding of:

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

#### *Considerations When Planning and Performing the Audit*

9. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.<sup>4</sup> In planning and performing an

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<sup>\*</sup> See ASA 200, paragraph Aus 13.1.

<sup>#</sup> See, for example, the Australian Accounting Standards.

<sup>†</sup> See ASA 200, paragraphs Aus 13.3 and Aus 13.4.

<sup>3</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

<sup>4</sup> See ASA 200, paragraph 18.

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audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9-A12)

10. ASA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.<sup>5</sup> In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of that financial report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

**Forming an Opinion and Reporting Considerations**

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

*Description of the Applicable Financial Reporting Framework*

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers to, or describes the applicable financial reporting framework.<sup>7</sup> In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes any significant interpretations of the contract on which the financial report is based.
13. ASA 700 deals with the form and content of the auditor's report. In the case of an auditor's report on a special purpose financial report:
- (a) The auditor's report shall also describe the purpose for which the financial report is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and

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<sup>5</sup> See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

<sup>6</sup> See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

<sup>7</sup> See ASA 700, paragraph 15.

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- (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's<sup>8</sup>, or other appropriate term, responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

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

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

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<sup>8</sup> [Deleted by AUASB. Refer 13(b)]

## **Application and Other Explanatory Material**

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

A1. Examples of special purpose frameworks are:

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

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

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that

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

<sup>#</sup> See, for example, AASB 101 *Presentation of Financial Statements*.

<sup>†</sup> See Australian Accounting Standards Board publication, *Glossary of Defined Terms* or *Statement of Accounting Concepts 1 Definition of the Reporting Entity*.

<sup>§</sup> See for example, ASIC Regulatory Guide 85 *Reporting Requirements for non-reporting entities*, as in force at the relevant time.

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

- A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.
- A4. A financial report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, that financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, it is still considered to be a financial report prepared in accordance with a special purpose framework under Australian Auditing Standards. The requirements in paragraphs 13-14 are designed to avoid misunderstandings about the purpose for which the financial report is prepared.

**Considerations When Accepting the Engagement**

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

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special

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purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.

- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.<sup>9</sup>
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

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

- A9. [Deleted by AUASB. Refer Aus A9.1]

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<sup>9</sup> See ASA 210, paragraph 18.

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- Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.<sup>10</sup>
- A10. Application of some of the requirements of the Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report statements are based on a consideration of the common financial information needs of users as a group.<sup>11</sup> In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. Communication with those charged with governance in accordance with Australian Auditing Standards is based on the relationship between those charged with governance and the financial report subject to audit, in particular, whether those charged with governance are responsible for overseeing the preparation of that financial report. In the case of a special purpose financial report,

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<sup>10</sup> See ASA 200, paragraphs 14, 18 and Aus 22.1 and Aus 23.1.

<sup>11</sup> See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

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those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of ASA 260<sup>12</sup> may not be relevant to the audit of the special purpose financial report, except when the auditor is also responsible for the audit of the entity's general purpose financial report or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial report.

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

- A13. Appendix 1 to this Auditing Standard contains illustrations of auditors' reports on special purpose financial reports.

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

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

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

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

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<sup>12</sup> See ASA 260 *Communication with Those Charged with Governance*.

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**Conformity with International Standards on Auditing**

This Auditing Standard conforms with International Standard on Auditing ISA 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

Compliance with this Auditing Standard enables compliance with ISA 800.

## **Appendix 1**

(Ref: Para. A13)

### **Illustrations of Auditors' Reports on Special Purpose Financial Reports**

- Illustration 1: An auditor's report on a financial report prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a financial report prepared in accordance with the tax basis of accounting (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a financial report prepared in accordance with the financial reporting provisions established by a regulatory authority (for purposes of this illustration, a fair presentation framework).
- [Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity in accordance with the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).
- [Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the *Associations Incorporation Act 1981* (for purposes of this illustration, a fair presentation framework).

**Example Auditor’s Report**  
**Special purpose — Compliance with a Contract**  
**(Compliance framework)**

**Illustration 1:**

Circumstances include the following:

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

**INDEPENDENT AUDITOR’S REPORT**

[Appropriate Addressee]

We have audited the accompanying financial report of ABC Entity, which comprises the statement of financial position as at 30 June, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information and management’s declaration about the statements and notes. The financial report has been prepared by the management of ABC Entity based on the financial reporting provisions of Section Z of the contract dated 1 July, 20X1 between ABC Entity and DEF Company (“the contract”).

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**Management’s<sup>13</sup> Responsibility for the Financial Report**

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

**Auditor’s Responsibility**

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

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

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

**Opinion**

In our opinion, the financial report of ABC Entity for the year ended 30 June, 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract.

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

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

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

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

**Example Auditor’s Report**  
**Special purpose – Tax basis of Accounting**  
**(Compliance framework)**

**Illustration 2:**

Circumstances include the following:

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

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial report of ABC Partnership, which comprises the balance sheet as at 30 June, 20X1 and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory information and management’s declaration about the statements and notes. The financial report has been prepared by management using the tax basis of accounting.

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**Management’s<sup>14</sup> Responsibility for the Financial Report**

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

**Auditor’s Responsibility**

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

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

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

**Opinion**

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

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

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**Basis of Accounting and Restriction on Distribution**

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

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

**Example Auditor’s Report  
Special Purpose – Regulatory Authority requirements  
(Fair presentation framework)**

**Illustration 3:**

Circumstances include the following:

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

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying financial report of ABC Entity, which comprises the statement of financial report as at 30 June, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information and management’s declaration about the statements and notes. The financial report has been

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prepared by management based on the financial reporting provisions of Section Y of Regulation Z.

**Management’s<sup>15</sup> Responsibility for the Financial Report**

Management is responsible for the preparation and fair presentation<sup>16</sup> of this 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 of a financial report that is free from material misstatement, whether due to fraud or error. Note X to the financial statements describes the basis of accounting that management has selected in the preparation of the financial report.

**Auditor’s Responsibility**

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

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

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

<sup>16</sup> Where management’s responsibility is to prepare a financial report that gives a true and fair view, this may read: “Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z, and for such...”

<sup>17</sup> In the case of footnote 16, this sentence may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of 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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effectiveness of the entity's internal control.<sup>18</sup> An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

**Opinion**

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

**Basis of Accounting**

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

**Other Matter**

ABC Entity has prepared a separate financial report for the year ended 30 June, 20X1 in accordance with Australian Accounting Standards on which we issued a separate auditor's report to the shareholders of ABC Entity dated 30 September, 20X1.

[Auditor's signature]

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<sup>18</sup> In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 16, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

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[Date of the auditor's report]

[Auditor's address]

Draft

**Example Auditor’s Report**  
**Special Purpose– *Corporations Act 2001***  
**(Fair presentation framework)**

**[Aus] Illustration 4:**

Circumstances include the following:

- **The financial report has been prepared by the directors in accordance with the financial reporting provisions set by the *Corporations Act 2001*. The entity is a small-proprietary company controlled by a foreign company, and in accordance with the *Corporations Act 2001* is required to lodge a financial report with the Australian Securities and Investments Commission. The Directors do not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a fair presentation framework.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.**
- **Distribution or use of the auditor’s report is restricted.**

**INDEPENDENT AUDITOR’S REPORT**

[Appropriate addressee]

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

**Directors’ Responsibility for the Financial Report**

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

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whether due to fraud or error. The directors have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001*, and are appropriate to meet the needs of members. [In Note XX, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*,\* that the report complies with *International Financial Reporting Standards*. ]

**Auditor’s Responsibility**

Our responsibility is to express an opinion on this financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1 are appropriate to meet the needs of members. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

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

**Independence**

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

**Auditor’s Opinion**

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\* Insert only where the entity has included in the notes to the financial statements, an explicit and unreserved statement of compliance with *International Financial Reporting Standards* in accordance with Accounting Standard AASB 101 and the auditor agrees with the entity’s statement. If the auditor does not agree with the statement, the auditor refers to ASA 705.

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In our opinion:

- (a) the financial report of ABC Company is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as of 30 June 20X1 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
  - (ii) complying with Australian Accounting Standards to the extent described in Note 1 to the financial statements, and complying with the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note XX.\*

**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to Note 1 to the financial statements which describes the basis of accounting. The financial report has been prepared for distribution to the members of ABC Company for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the members of ABC Company and should not be distributed to or used by parties other than the members of ABC Company.

**Report on Other Legal and Regulatory Requirements**

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

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

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

**Example Auditor’s Report**  
**Special Purpose– *Associations Incorporations Act 1981***  
**(Fair presentation framework)**

**[Aus] Illustration 5:**

Circumstances include the following:

- **The financial report has been prepared by the officers of the entity to meet the financial reporting requirements of the *Associations Incorporations Act 1981*.**
- **The entity is a not-for-profit incorporated association.**
- **The applicable financial reporting framework is a fair presentation framework.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.**
- **Distribution or use of the auditor’s report is restricted.**

**INDEPENDENT AUDITOR’S REPORT**

[Appropriate Addressee]

We have audited the accompanying financial report, being a special purpose financial report, of ABC Not-for-Profit Incorporated, which comprises the balance sheet as at 30 June, 20X1, and the income statement for the year then ended, and notes comprising a summary of significant accounting policies, other explanatory notes and the Officers’\* declaration.

**Officers’ Responsibility for the Financial Report**

The Officers of ABC Not-for-Profit Incorporated are responsible for the preparation of this financial report that gives a true and fair view in accordance with Australian Accounting Standards,\* and the *Associations Incorporations Act 1981*, and for such internal control as the officers determine are necessary to enable the preparation of a financial report that is

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

\* Insert reference to appropriate framework.

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free from material misstatement, whether due to fraud or error. The officers have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report, are appropriate to meet the requirements of the *Associations Incorporations Act 1981*, and are appropriate to meet the needs of members.

**Auditor's Responsibility**

Our responsibility is to express an opinion on this financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1 are appropriate to meet the needs of members. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Association'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 association's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the officers, as well as evaluating the overall presentation of the financial report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Auditor's Opinion**

In our opinion, the financial report of ABC Not-for-Profit Incorporated is in accordance with the *Associations Incorporations Act 1981* including:

- (i) giving a true and fair view of ABC Not-for-Profit Incorporated's financial position as of 30 June 20X1 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1 to the financial statements, and the *Associations Incorporation Act 1981*.

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**Basis of Accounting and Restriction on Distribution**

Without modifying our opinion, we draw attention to Note X to the financial statements, which describes the basis of accounting. The financial report has been prepared to assist ABC Not-for-Profit Incorporated to meet the requirements of the *Associations Incorporation Act 1981*. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for ABC Not-for-Profit Incorporated and should not be distributed to or used by parties other than ABC Not-for-Profit Incorporated.

**Report on Other Legal and Regulatory Requirements**

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

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]