

ASRE 2415
(June 2010)

**Auditing Standard on Review
Engagements ASRE 2415**
*Review of a Financial Report
– Company Limited by
Guarantee*

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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PREFACE

Reasons for Issuing Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee* pursuant to the requirements of the legislative provisions 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 Act), 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 *Corporations Amendment (Corporate Reporting Reform) Act 2010*, the Act and related Regulations have been amended to enable certain companies limited by guarantee to elect for their financial report for a financial year to be reviewed instead of audited. Accordingly, the AUASB issues ASRE 2415 as an Auditing Standard under section 336 of the Act, to address the changes to the Act and related Regulations.

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Main Features

This transitional Auditing Standard on Review Engagements establishes requirements and provides application and other explanatory material regarding a review of a financial report for a financial year of certain companies limited by guarantee and on the form and content of the auditor's review report.

This Auditing Standard:

- (a) Directs an auditor who has conducted an audit of the company's previous financial report, to conduct a review in the first reporting period under the revised legislation, in accordance with:
 - (i) *ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*; or
 - (ii) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity* for financial reporting periods commencing on or after 1 January 2010, as applicable.
- (b) Directs an auditor who has not conducted an audit of the company's previous financial report, to conduct a review in accordance with *ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is not the Auditor of the Entity*.
- (c) Requires the auditor to comply with relevant ethical requirements; and to implement quality control relevant to the individual engagement.

Operative Date

This Auditing Standard on Review Engagements is operative for financial reporting periods ending on or after 30 June 2010.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: 30 June 2010

M H Kelsall
Chairman - AUASB

AUDITING STANDARD ON REVIEW ENGAGEMENTS ASRE 2415

Review of a Financial Report – Company Limited by Guarantee

Application

- 1 This Auditing Standard on Review Engagements applies to a review of a financial report for a financial year for a company limited by guarantee in accordance with the *Corporations Act 2001* (the Act).

Operative Date

- 2 This Auditing Standard on Review Engagements (Auditing Standard) is operative for financial reporting periods ending on or after 30 June 2010.

Introduction

Scope of this Auditing Standard on Review Engagements

- 3 This transitional Auditing Standard deals with the responsibilities of the auditor to review the financial report of a company limited by guarantee that has elected, under section 301(3) of the Act, to have its financial report reviewed instead of audited. It also deals with the form and content of the review report, which is based on the example review reports contained within existing review standards.¹
- 4 This Auditing Standard does not apply to the review of a half-year financial report under the Act. Refer ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* or ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, as applicable.

Objective

- 5 The objective of the auditor, is to plan and perform the review of a financial report prepared by a company limited by guarantee, to enable the auditor to express a conclusion whether, on the basis of

¹ See Appendix 1 for an illustrative example review report.

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the review, anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework.

Definitions

- 6 For purposes of this Auditing Standard, the following terms have the meanings attributed below:
- (a) A company limited by guarantee means a company limited by guarantee whose obligations are set out in section 285A of the Act.
 - (b) A registered company auditor includes an individual who meets the requirements of section 324BE of the Act.
 - (c) Revised Legislation means *Corporations Amendment (Corporate Reporting Reform) Act 2010*.
- 7 The term “auditor” as used in this Auditing Standard, refers to a registered company auditor or an individual taken to be a registered company auditor under section 324BE of the Act.
- 8 The term “financial report”, as used in this Auditing Standard, refers to a financial report for a financial year. A financial report for a financial year may be for a period that is greater than or less than 12 months.

Requirements

Applicable Standards

Company Previously Audited

- 9 When a company limited by guarantee elects to have its financial report reviewed instead of audited, an auditor who has conducted an audit of the previous financial report of the company in accordance with the Act and the Australian Auditing Standards, shall, in the first

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financial reporting period under the revised legislation, conduct the review in accordance with:²

- (a) ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*; or
- (b) ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* as applicable.
(Ref: Para. A1)

Company Not Previously Audited by the Auditor

- 10 When a company limited by guarantee elects to have its financial report reviewed instead of audited, an auditor who has not conducted an audit of the previous financial report of the company in accordance with the Act and the Australian Auditing Standards, shall conduct the review in accordance with ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.³ (Ref: Para. A2)
- 11 For purposes of this Auditing Standard, requirements under ASRE 2400 are identified in **bold-type** in that standard.⁴

General Principles

- 12 The auditor shall comply with relevant ethical requirements relating to the review of the financial report.⁵ (Ref: Para. A3)
- 13 The auditor shall implement quality control procedures that are applicable to the individual engagement.⁶

² See ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* (Compiled), issued August 2008. For financial reporting periods commencing on or after 1 January 2010, see ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, issued October 2009.

³ See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, issued August 2008.

⁴ See ASA 100 *Preamble to AUASB Standards*, paragraph 9(a).

⁵ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

⁶ See ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* which may be helpful in determining quality control procedures applicable to a review engagement.

Application and Other Explanatory Material

Applicable Standards

Company Previously Audited

- A1 At the time of the amendments to the Act there will be companies limited by guarantee that have been in existence for some time and will have appointed an auditor. Where that auditor has conducted an audit of the company's previous financial report, that auditor will have obtained an understanding of the company and its environment, including the company's internal control, in accordance with the Australian Auditing Standards. Accordingly, the auditor conducting a review, does so in accordance with ASRE 2410.⁷ ASRE 2410 is to be read in conjunction with ASA 100 *Preamble to AUASB Standards* or ASA 101 *Preamble to Australian Auditing Standards*, as applicable. (Ref: Para. 9)

Company Not Previously Audited by the Auditor

- A2 A company limited by guarantee may engage an auditor, who has not conducted an audit of the company's previous financial report, to conduct a review of its financial report. In such cases, that auditor will not have recently obtained an understanding of the company and its environment, including the company's internal control, through compliance with Australian Auditing Standards. Accordingly, that auditor conducts the review in accordance with ASRE 2400.⁸ ASRE 2400 is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*. (Ref: Para. 10)

General Principles

- A3 When complying with the fundamental ethical principles in accordance with ASRE 2400, an auditor with no previous engagement experience with the company, pays particular attention to the principle of professional competence and due care. (Ref: Para. 12)

⁷ See ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* (Compiled), issued August 2008. For financial reporting periods commencing on or after 1 January 2010, refer ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, issued October 2009.

⁸ See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, issued August 2008.

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Conformity with International Standards on Review Engagements

This Auditing Standard on Review Engagements has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Review Engagements (ISRE) issued by the International Auditing and Assurance Standards Board (IAASB).

Appendix 1

(Ref: Para. 3)

EXAMPLE AUDITOR’S REVIEW REPORT

The following example auditor’s review report is to be used as a guide only and will need to be adapted according to the review engagement requirements and circumstances. It is based on the example review reports contained in the Appendices of ASRE 2400 and ASRE 2410.

Example 1: Financial report of a company limited by guarantee prepared under the *Corporations Act 2001*. The financial reporting framework is designed to achieve fair presentation.

EXAMPLE OF AN UNMODIFIED REVIEW REPORT

INDEPENDENT AUDITOR’S REVIEW REPORT

To the members of [name of company]

Report on the Financial Report

We [I]⁹ have reviewed the accompanying financial report of [name of company], which comprises the statement of financial position as at 30 June 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.¹⁰

Directors’ Responsibility for the Financial Report

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

⁹ When an individual is taken to be a registered company auditor under section 324BE of the Act, the auditor’s report is to be written in singular form.

¹⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

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

Auditor's Responsibility

Our [My] responsibility is to express a conclusion on the financial report based on our [my] review. We [I] conducted our [my] review in accordance with Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report - Company Limited by Guarantee*, in order to state whether, on the basis of the procedures described, we [I] have become aware of any matter that makes us [me] believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 30 June 20XX and its performance for the year ended on that date; and complying with the Australian Accounting Standards and *Corporations Regulations 2001*. ASRE 2415 requires that we [I] comply with the ethical requirements relevant to the review of the financial report.

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us [me] to obtain assurance that we [I] would become aware of all significant matters that might be identified in an audit. Accordingly, we [I] do not express an audit opinion.

Independence

In conducting our [my] review, we [I] have complied with the independence requirements of the *Corporations Act 2001*. We [I] confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of [name of company], would be in the same terms if given to the directors as at the time of this auditor's report.*

Conclusion

Based on our [my] review, which is not an audit, we [I] have not become aware of any matter that makes us [me] believe that the financial report of [name of company] is not in accordance with the *Corporations Act 2001* including:

* 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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- (a) giving a true and fair view of the company's financial position as at 30 June 20XX and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and *Corporations Regulations 2001*.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]¹¹

[Date of the auditor's review report]¹²

[Auditor's address]

¹¹ The auditor's review report is required to be signed in one or more of the following ways: the name of the audit firm, the name of the audit company or the personal name of the individual auditor as appropriate.

¹² The date of the auditor's report is the date the auditor signs the report.