

## Auditor Reporting FAQs – Release 3

1. **Does the auditor’s report for entities which have products quoted on the ASX Aqua Market<sup>1</sup> include key audit matters?**
- Key Audit Matters (KAMs) are communicated in the auditor’s report for audits of general purpose financial reports of listed entities.
  - The definition of listed entity<sup>2</sup> is an entity whose shares, stock or debt are quoted or listed on a recognised stock exchange, or are marketed under the regulation of a recognised stock exchange.
  - The ASX’s Aqua Market includes products such as Managed Fund Products, Exchange Traded Funds, and Structured Products and are governed by the ASX’s Aqua Rules.
  - These products are quoted on and marketed by the ASX and therefore meet the definition of listed entities in the Auditing Standards.
  - The responsible entity of each entity with assets quoted on the Aqua Market is required to prepare general purpose financial reports.
  - Therefore the auditor’s report for the responsible entity includes the communication of KAMs.
  - In addition these entities must comply with all Auditing Standard requirements relevant to the audit of a listed entity, such as engagement quality control review procedures.
2. **What is included in the Material Uncertainty Relating to Going Concern paragraph in the auditor’s report?**
- If the auditor concludes that there is a material uncertainty in relation to going concern (MURGC), and there has been adequate disclosure in the financial report, this is now required to be reported as a ‘MCRGC’ paragraph in the auditor’s report<sup>3</sup>. (ie. no longer reported as an Emphasis of Matter paragraph).
  - ASA 570 paragraph 22 establishes the minimum information to be presented in the auditor’s report under the MCRGC paragraph which is:
    - ◆ To draw attention to the note in the financial report which discloses the matter; and
    - ◆ State that these events or conditions indicate that a material uncertainty exists and that the auditor’s opinion is not modified<sup>4</sup>.
  - Sample wording is contained in Illustration 1 of the Appendix 2 of ASA 570.

<sup>1</sup> Refer to *ASX Quoting Investment products on ASX* and *Schedule 10A Aqua Products and the Aqua Trading Market* for details and rules for Aqua Products

<sup>2</sup> ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*

<sup>3</sup> ASA 570 *Going Concern, paragraph 22*

<sup>4</sup> ASA 570 *Going Concern, paragraph 22*

- For a listed entity a MURGC is likely to be a KAM however the KAM section refers to the MURGC paragraph.
- Whilst the minimum information required to be included in the MURGC paragraph in the auditor's report is less than what is required if it was communicated as a KAM, the auditor may provide additional information such as the procedures they performed in forming their conclusions, in the MURGC paragraph, however there is no requirement to do so.
- If there is an event or condition which may cast significant doubt on the entity's ability to continue as a going concern, however the auditor concludes the uncertainty is not material and that management's use of the going concern assumption is appropriate (ie. a near miss), no additional disclosure or additional paragraph in the audit report is required. However this is likely to be a KAM for listed entities.