

Auditor Reporting FAQs – Release 3

1. Does the auditor's report for entities which have products quoted on the ASX AQUA Market¹ 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 entity² 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 meet the definition of listed entities in the Auditing Standards.
- Therefore auditor's reports on general purpose financial reports of AQUA entities includes the communication of KAMs.
- In addition auditors' of these entities must comply with all Auditing Standard requirements relevant to listed entities, such as engagement quality control review procedures³.

2. What is included in the "Material Uncertainty Related to Going Concern" paragraph in the auditor's report?

- If there is a material uncertainty related to going concern, and adequate disclosure in the financial report, the auditor's report includes a section which is now required to be titled "Material Uncertainty Related to Going Concern" (MURGC)⁴ (ie. no longer as an Emphasis of Matter).
- ASA 570 *Going Concern*, paragraph 22 establishes the minimum information to be presented in the auditor's report under the MURGC heading which is to:
 - ◆ Draw attention to the note in the financial report which includes the required disclosures; and
 - ◆ State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern, and that the auditor's opinion is not modified in respect of the matter⁵.
- Sample wording is contained in Illustration 1 of the Appendix 2 of ASA 570.

¹ 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

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

³ ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*, paragraph 19

⁴ ASA 570 *Going Concern*, paragraph 22

⁵ ASA 570 *Going Concern*, paragraph 22

- For a listed entity a MURGC is by its nature a KAM⁶, however the KAM section of the auditor's report includes a reference to the MURGC section where the matter is described.
- The description of the matter required to be included in the MURGC section⁷ is less than what is required in the KAM section⁸ of the auditor's report. However the auditor may provide additional information in the MURGC section, for example to explain;
 - ◆ That the existence of a material uncertainty is fundamental to user's understanding of the financial report, or
 - ◆ How the matter was addressed in the audit⁹.
- 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, no additional disclosure or additional paragraph in the audit report is required. However the auditor considers if this is a KAM in accordance with ASA 701 *Communicating Key Audit Matters*, paragraphs 9 and 10.

⁶ ASA 570 *Going Concern*, paragraph 15

⁷ ASA 570 *Going Concern*, paragraph 22

⁸ ASA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13

⁹ ASA 570 *Going Concern*, paragraph A30