

ASA 805
(December 2015)

Auditing Standard ASA 805
***Special Considerations-Audits of Single
Financial Statements and Specific
Elements, Accounts or Items of a Financial
Statement***

Issued by the Auditing and Assurance Standards Board

Draft

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

Contact Details

Auditing and Assurance Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Victoria AUSTRALIA 3000

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria AUSTRALIA 8007

COPYRIGHT

© 2015 Commonwealth of Australia. The text, graphics and layout of this Auditing Standard are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the Australian Auditing and Assurance Standards Board (AUASB).

Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Executive Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Auditing Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

This Auditing Standard reproduces substantial parts of the corresponding International Standard on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) and published by the International Federation of Accountants (IFAC), in the manner described in the statement on Conformity with International Standards on Auditing. The AUASB acknowledges that IFAC is the owner of copyright in the International Standard on Auditing incorporated in this Auditing Standard throughout the world.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only.

Further information and requests for authorisation to reproduce this Auditing Standard for commercial purposes outside Australia should be addressed to the Executive Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Any decision to approve a request may also require the agreement of IFAC.

ISSN 1833-4393

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	Aus 0.1-Aus 0.2
Operative Date	Aus 0.3
Introduction	
Scope of this Auditing Standard	1-3
Effective Date	4
Objective	5
Definitions	6
Requirements	
Considerations When Accepting the Engagement	7-9
Considerations When Planning and Performing the Audit	10
Forming an Opinion and Reporting Considerations	11-17
Application and Other Explanatory Material	
Scope of this Auditing Standard	A1-A4
Considerations When Accepting the Engagement	A5-A9
Considerations When Planning and Performing the Audit	A10-A14
Forming an Opinion and Reporting Considerations	A15-A18
Appendix 1: Examples of Specific Elements, Accounts or Items of a Financial Statement	
Appendix 2: Illustrations of Auditors' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement	

PREFACE

Reasons for Issuing ASA 805

The AUASB issues Auditing Standard ASA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee 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 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, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (1 December 2015) and will replace the current ASA 805 issued by the AUASB in October 2009.

This Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

The revision of ASA 805 reflect recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board.

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* 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 805.

Draft

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

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

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods ending on or after 1 January 2010. [Note: For operative dates of paragraphs changed or added by an Amending Standard, see Compilation Details.]

Introduction

Scope of this Auditing Standard

1. The Auditing Standards in the ASA 100 - ASA 700 series relate to an audit of a financial report and are to be applied as necessary in the circumstances of an audit of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit. (Ref: Para. A1-A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report (see ASA 600²).
3. This Auditing Standard does not override the requirements of other 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 single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:

¹ See ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*.
² See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- (a) The acceptance of the engagement;
- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement”;
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or a specific element of a financial statement includes the related disclosures. The related disclosures ordinarily comprise explanatory or other descriptive information relevant to the financial statement or to the element.

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of the financial statements in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5-A6)

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.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8-A9)

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁵ See ASA 210, paragraph 10(e).

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be applied as necessary in the circumstances of an audit of other historical financial information.^{6,7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall apply all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10-A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ as necessary in the circumstances of the engagement. (Ref: Para. A15-A16)

Reporting on the Entity's Financial Report and on a Single Financial Statement or on a Specific Element of that Financial Statement

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16 of this Auditing Standard, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report

14. If the opinion in the auditor's report on an entity's financial report is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph, the auditor shall determine the effect that this may have on the auditor's report on a single financial statement or on a specific element of those financial statements. When deemed appropriate, the auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report, accordingly. (Ref: Para. A15, A17)
15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element that forms part of that financial report.⁹ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report. (Ref: Para. A18)
16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a

⁶ See ASA 200, paragraph 2.

⁷ See ASA 200, paragraphs Aus 13.1 and Aus 13.2.

⁸ See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁹ See ASA 705 *Modification to the Opinion in the Independent Auditor's Report*, paragraph 15.

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

specific element that is included in that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:

- (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The specific element does not constitute a major portion of the entity's financial report.
17. The auditor shall not express an unmodified opinion on a single financial statement that forms part of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

Draft

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1)

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁰
- A2. [Deleted by the AUASB. Refer Aus A2.1]
- Aus A2.1 ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or other descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹¹
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹² they are to be applied as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements ASAE 3000.¹³

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 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 the auditor has determined 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.¹⁴
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s financial report. In such cases, the auditor often does not have the same understanding of the entity and its

¹⁰ See ASA 200, paragraph 13(g).

¹¹ See ASA 200, paragraph Aus 13(f).

¹² See ASA 200, paragraph 2.

¹³ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁴ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570¹⁵ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

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

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.¹⁶ In accordance with ASA 700:¹⁷
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases: (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the element. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial statements (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's consideration as to whether to use the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion include:

¹⁵ See ASA 570 *Going Concern*.

* See, for example, ASAE 3100 *Compliance Engagements* or ASRE 2405, *Review of Historical Financial Information Other than a Financial Report*.

¹⁶ See ASA 200, paragraph 8.

¹⁷ See ASA 700, paragraphs 35-36.

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the element include the related notes.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor's decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases "presents fairly, in all material respects," or "gives a true and fair view", in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework, is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,¹⁸ ASA 550,¹⁹ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.
- A11. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report they are to be applied as necessary in the circumstances to the audit of a single financial statement or of a specific element of a financial statement.²⁰ For example, written representations from management, and where appropriate, those charged with governance, about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A12. When auditing a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity's financial report, the auditor may be able to use audit evidence obtained as part of the audit of the entity's financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.
- A13. The individual financial statements that comprise a financial report, and many of the elements of that financial report, including their related notes, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

¹⁸ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

¹⁹ See ASA 550 *Related Parties*.

²⁰ See ASA 200, paragraph 2.

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

- A15. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²¹ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, including the related notes, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A16. Appendix 2 contains illustrations of auditors' reports on a single financial statement and on a specific element of a financial statement.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report (Ref: Para. 14-17)

- A17. Even when the modified opinion on the entity's financial report, Emphasis of Matter paragraph or Other Matter paragraph does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report (see ASA 706).²²
- A18. [Deleted by the AUASB as not applicable in Australia.]²³

²¹ See ASA 700, paragraph 13(e).

²² See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 6.

²³ See ASA 510 *Initial Audit Engagements—Opening Balances*, Appendix 1, Illustration 2, and ASA 705, paragraph A16.

Appendix 1

(Ref: Para. A3)

EXAMPLES OF SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a superannuation fund, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation fund, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Draft

Appendix 2

(Ref: Para. A16)

ILLUSTRATIONS OF AUDITORS' REPORTS ON A SINGLE FINANCIAL STATEMENT AND ON A SPECIFIC ELEMENT OF A FINANCIAL STATEMENT

- Illustration 1: An auditor's report on a single financial statement prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Draft

**Example Auditor’s Report
General Purpose Financial Statement—Statement of Financial Position
(Fair Presentation Framework)**

Illustration 1:

Circumstances include the following:

- **Audit of a statement of financial position (that is, a single financial statement).**
- **The statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework of Jurisdiction X using the basis of preparation described in Note X to the statement of financial position.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.**
- **The single financial statement is *not* prepared under the *Corporations Act 2001*.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the single financial statement in ASA 210.**
- **The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects”, in the auditor’s opinion.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of financial position of ABC Entity as at 30 June 20X1, a summary of significant accounting policies and other explanatory information, and management’s assertion statement* (together “the financial statement”). The financial statement has been prepared by management using the basis of preparation described in Note X.

Management’s²⁴ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of accounting described in Note X, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statement, 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 of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

* Or other appropriate term.

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditing Standard ASA 805
Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

of the entity's internal control.²⁵ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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 statement presents fairly, in all material respects, the financial position of ABC Entity as at 30 June 20X1 in accordance with the basis of preparation described in Note X.

[Auditor's signature]*

[Date of the auditor's report]#

[Auditor's address]

Draft

²⁵ 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 statement, 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 statement in order to design audit procedures that are appropriate in the circumstances."

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

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

**Example Auditor’s Report
Special Purpose Financial Statement—Statement of Cash Receipts and
Disbursements
(Fair Presentation Framework)**

Illustration 2:

Circumstances include the following:

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement).**
- **The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.²⁶**
- **The single financial statement is *not* prepared under the *Corporations Act 2001*.**
- **The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects”, in the auditor’s opinion.**
- **Distribution or use of the auditor’s report is not restricted.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Entity for the year ended 30 June 20X1, a summary of significant accounting policies and other explanatory information, and management’s assertion statement* (together “the financial statement”). The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note X.

Management’s²⁷ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement 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 statement is free from material misstatement.

²⁶ See ASA 800, which contains requirements and guidance on the form and content of an auditor’s report prepared in accordance with a special purpose framework.

* Or other appropriate term.

²⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statement, 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 of the financial statement 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, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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 statement presents fairly, in all material respects, the cash receipts and disbursements of ABC Entity for the year ended 30 June 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the financial statement may not be suitable for another purpose.

[Auditor's signature]*

[Date of the auditor's report]#

[Auditor's address]

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

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

**Example Auditor’s Report
Special Purpose Financial Statement—Liability Incurred but Not Reported
Schedule
(Compliance Framework)**

Illustration 3:

Circumstances include the following:

- **Audit of the liability for “incurred but not reported” claims in an insurance portfolio (that is, an element, account or item of a financial statement).**
- **The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulatory authority to meet the requirements of that authority. Management does not have a choice of financial reporting frameworks.**
- **The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.²⁸**
- **The schedule is *not* prepared under the *Corporations Act 2001*.**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statement in ASA 210.**
- **Distribution or use of the auditor’s report is restricted.**

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as at 30 June 20X1, and management’s assertion statement* (“the schedule”). The schedule has been prepared by management based on [describe the financial reporting provisions established by the regulatory authority].

Management’s²⁹ Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulatory authority], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those

²⁸ See ASA 800, which contains requirements and guidance on the form and content of an auditor’s report prepared in accordance with a special purpose framework.

* Or other appropriate term.

²⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

risk assessments, the auditor considers internal control relevant to the company's preparation of the schedule 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 company'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 schedule.

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 information in the schedule of the liability for "incurred but not reported" claims of ABC Insurance Company as at 30 June 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulatory authority].

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist ABC Insurance Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Insurance Company and Regulator DEF and should not be distributed to parties other than ABC Insurance Company or Regulator DEF.

[Auditor's signature]*

[Date of the auditor's report]#

[Auditor's address]

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

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