

April 2015

Explanatory Memorandum
Exposure Draft: Reporting on Audited
Financial Reports—New and Revised
Auditor Reporting Standards and Related
Conforming Amendments

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



Australian Government

Auditing and Assurance Standards Board

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This Explanatory Memorandum is issued by the AUASB to provide information to auditors and assurance practitioners about the AUASB's implementation in Australia of the IAASB's enhanced auditor reporting standards.

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EXPLANATORY MEMORANDUM

Exposure Draft: Reporting on Audited *Financial Reports—New and Revised Auditor Reporting Standards and Related Conforming Amendments*

Purpose

1. The aim of this Explanatory Memorandum is to provide constituents with information about Exposure Draft: ED 01/15, issued on 30 April 2015, and the Auditing and Assurance Standards Board's (AUASB) approach to implementing in Australia, the enhanced auditor reporting standards of the International Auditing and Assurance Standards Board (IAASB).

Composition of ED 01/15

2. ED 01/15 contains proposals for the following suite of auditing standards:

ASA	Name of Auditing Standard
700	<i>Forming an Opinion and Reporting on a Report</i>
701	<i>Communicating Key Audit Matters in the Independent Auditor's Report (KAM)</i>
705	<i>Modifications to the Opinion in the Independent Auditor's Report</i>
706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>
570	<i>Going Concern</i>
260	<i>Communicating with Those Charged with Governance</i>
210	<i>Agreeing the Terms of Audit Engagements</i>
220	<i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i>
230	<i>Audit Documentation</i>
510	<i>Initial Audit Engagements—Opening Balances</i>
540	<i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures</i>
580	<i>Written Representations</i>
600	<i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i>
710	<i>Comparative Information—Corresponding Figures and Comparative Financial Reports</i>

Exposure Draft Questions

3. The AUASB is especially interested in constituents' views on:
- (a) What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of the proposed standards? If significant costs are expected, the AUASB would like to understand:
 - (i) Where those costs are likely to occur;
 - (ii) The estimated extent of costs, in percentage terms; and
 - (iii) Whether expected costs outweigh the benefits to the users of audit services?
 - (b) Whether, in the future, *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* should be mandated in the audit of entities in addition to listed entities; and if so:
 - (i) Which entities; and
 - (ii) What criteria should be used to identify such entities?
 - (c) Whether the name of the engagement partner should be disclosed only when required by law or regulations; or for all engagements?
 - (d) Whether the removal of (only) "Aus" paragraph references to the *Corporations Act 2001*—currently included within the requirements and application and other explanatory material—supported?

If removal of existing references is not supported, respondents are asked to indicate their preference for locating the re-instated material within the standard:

 - In the requirements and application and other explanatory material (as applicable) of the proposed standard; or
 - By inclusion of a cross-referenced listing in an appendix to the standard?
4. **Note:** Constituents are asked to pay particular attention to the specific questions included in the exposure draft within each individual proposed standard – *not all questions are the same.*

Background

IAASB

5. While users of the financial statements have signalled that the auditor's opinion on the financial statements is valued, many have called for the auditor's report to be more informative – in particular, for auditors to provide more relevant information to users based on the audit that was performed. Accordingly, the IAASB set out to develop new and revised auditor reporting standards aimed at enhancing the informational value of the auditor's report.
6. The IAASB's project has resulted in the creation of one new International Standard on Auditing (ISA)—ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; the revision of several existing auditing standards and related conforming amendments to several other auditing standards.
7. The application date for the IAASB's enhancements to auditor reporting is for financial statement periods ending on or after 15 December 2016.

Expected Benefits

8. The auditor's report is the key deliverable addressing the output of the audit process. The IAASB intends for its new and revised Auditor Reporting standards to result in an auditor's report that increases the confidence in the audit and the financial statements, which is in the public interest.
9. The IAASB believes that in addition to the **increased transparency** and **enhanced informational value** of the auditor's report, changes to auditor reporting will also have the benefit of:
 - **Enhanced communications** between the auditor and investors as well as between auditors and those charged with governance;
 - **Increased attention** by management and those charged with governance (e.g., the audit committee) **to the disclosures** in the financial statements to which reference is made in the auditor's report; and
 - **Renewed focus of the auditor** on matters to be reported, which could indirectly result in an increase in professional scepticism.

Effect on the Financial Reporting Process

- The enhancements to the auditor's report **build upon the underlying concepts in a financial statements audit undertaken in accordance with ISAs** addressing how a risk-based audit is performed and what is required to be communicated with those charged with governance.
 - While auditor communications in the auditor's report are expected to be entity-specific in order to be informative to users, it remains the responsibility of management, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.
10. Further details can be found on the IAASB's website: <http://www.ifac.org/auditing-assurance>
 - At a Glance
<http://www2.ifac.org/system/files/publications/files/Audit-Reporting-At%20a%20Glance.pdf>
 - Basis for Conclusions
<http://www2.ifac.org/system/files/publications/files/Basis%20for%20Conclusions%20-%20Auditor%20Reporting%20-%20final.pdf>
 - Illustrative Key Audit Matters
<http://www2.ifac.org/system/files/publications/files/IAASB-Auditor-Reporting-Toolkit-Illustrative-Key-Audit-Matters.pdf>
 - Auditor Reporting on Going Concern
<http://www2.ifac.org/system/files/publications/files/Auditor-Reporting-Toolkit-Going-Concern.pdf>
 - ISA 700
http://www2.ifac.org/system/files/publications/files/ISA-700-Revised_8.pdf

- ISA 701
http://www2.ifac.org/system/files/publications/files/ISA-701_2.pdf
- ISA 705
http://www2.ifac.org/system/files/publications/files/ISA-705-Revised_0.pdf
- ISA 706
http://www2.ifac.org/system/files/publications/files/ISA-706-Revised_0.pdf
- ISA 570
<http://www2.ifac.org/system/files/publications/files/ISA-570-%28Revised%29.pdf>
- ISA 260
http://www2.ifac.org/system/files/publications/files/ISA-260-Revised_1.pdf
- Conforming Amendments
http://www2.ifac.org/system/files/publications/files/Conforming-Amendments-to-ISAs_1.pdf

AUASB

11. In accordance with its mandates under section 227 of the *ASIC Act 2001* and the Financial Reporting Council's (FRC) Strategic Direction, the AUASB's policy is to adopt the IAASB's auditing standards (ISAs), unless there are compelling reasons not to do so; and to amend the ISAs only when there are compelling reasons to do so.
12. Compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate in maintaining or improving audit quality in Australia. Compelling reasons are further guided by the AUASB's policy of harmonisation with the standards of the New Zealand Auditing and Assurance Standards Board (NZAuASB).
13. The AUASB's principles of convergence with the ISAs and harmonisation with the New Zealand auditing standards can be found on the AUASB's website:
http://www.auasb.gov.au/admin/file/content102/c3/Aug14_IAASB-NZAuASB_Principles_of_Convergence_and_Harmonisation.pdf
14. The AUASB has decided to adopt the new, revised and amended ISAs, relating to auditor reporting, into the Australian Auditing Standards that are made under section 336 of the *Corporations Act 2001*. Prior to implementation, the AUASB is required to consult with constituents and accordingly now issues Exposure Draft ED 01/15 for public exposure and comment. All comments received from constituents are considered by the AUASB prior to finalisation of the proposed new, revised or amended standards.

The AUASB's Approach

Exposure Drafts

Timetables

15. As is customary, the AUASB develops its exposure drafts from the *issued* ISA equivalent standards. The IAASB issued the main suite of auditor reporting standards in January 2015 and these standards form the basis of **ED 01/15**. The standards comprising this first tranche of the enhancements to auditor reporting are:

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ED 01/15: Issued on the 30 April 2015

ASA 700	<i>Forming an Opinion and Reporting on a Report</i>	Revised
ASA 701	<i>Communicating Key Audit Matters in the Independent Auditor's Report (KAM)</i>	New
ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report</i>	Revised
ASA 706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>	Revised
ASA 570	<i>Going Concern</i>	Revised
ASA 260	<i>Communicating with Those Charged with Governance</i>	Revised
Several	ASAs 210, 220, 230, 510, 540, 580, 600 and 710	Conforming Amendments

16. Due to the IAASB's expected staggered issuance of the remaining standards, the revision of which also impacts on the enhancements to auditor reporting, the AUASB expects to issue 3 further exposure drafts as follows:

ED 02/15: Expected issuance after the 19 May 2015 AUASB teleconference meeting

ASA 720	<i>The Auditor's Responsibilities Relating to Other Information</i>	Revised
Several	Conforming amendments to several standards including those that may have been included in ED 01/15	Amending standard

ED 03/15: Expected issuance after the 28 July 2015 AUASB meeting

Disclosures (Several)	Amendments to several standards including those that may have been included in EDs 01/15 and 02/15	Amending standard
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ED 01/16: Expected issuance after the February 2016 AUASB meeting

ASA 800	<i>Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i>	Revised
ASA 805	<i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i> [Not issued under the <i>Corporations Act 2001</i>]	Revised
Several	Amendments to several standards including those that may have been included in EDs 01/15, 02/15 and 03/15	Amending standard

Methods Used

17. As indicated in the table above, the construct of each exposure draft differs according to the nature of the changes, namely:
- (a) ASA 701 (KAM) is a new standard and therefore is not a replacement or revision. This standard will be a new addition to the suite of Australian Auditing Standards.
 - (b) Standards that have significant changes indicate they have been revised and are labelled as such by the IAASB. These standards will replace the relevant existing Australian Auditing Standards.

- (c) Standards that are affected by conforming amendments do not impose original requirements. Accordingly, changes of this nature are dealt with through an amending standard. An amending standard is a legislative mechanism that facilitates minor changes to an existing standard. A “compiled standard” is the result of an existing standard adjusted by an amending standard(s).

Exposure Draft Protocols

18. Under its convergence policies, the AUASB continues to include requirements and guidance that are in addition to, or a clarification of, the equivalent ISA only when the compelling reason test have been met. Any such modifications continue to be identified in the Australian Auditing Standards by paragraph numbering commencing with an “Aus” prefix. Any such changes do not diminish the requirements of the equivalent ISA.

For example:

In ASA 570, *Going Concern*, the existing concept of “relevant period” for considering management’s assessment of going concern has been retained to preserve audit quality.

19. In addition to those changes that meet the compelling reason test, the AUASB makes format and terminology changes to comply with requirements relating primarily to legislative instruments. Such changes are machinery in nature and do not change the meaning of the equivalent ISA.

AUASB Modifications to the ISAs

20. In line with the AUASB’s policy of convergence with the standards of the IAASB (see link at paragraph 13 above), the AUASB proposes to delete:

- Existing modifications from the equivalent ISAs (i.e. “Aus” paragraphs), contained within the Australian Auditing Standards, where the compelling reason test have not been met.
- References included within the existing Australian Auditing Standards, to requirements contained in other laws or regulations, including those to the *Corporations Act 2001*.

[The basis of this decision is that compliance with such requirements means compliance with *those* laws or regulations, not compliance with the Australian Auditing Standards. For example, a requirement to report under section 311 of the *Corporations Act 2001*, is a requirement under that Act and not under an Auditing Standard.]

21. Accordingly, a number of “Aus” paragraphs, described in paragraph 16 above, that are contained within existing standards have been removed from the proposed standards—see **Appendix 1** to this Explanatory Memorandum for a listing and description of these paragraphs.

General

22. All exposure drafts (EDs) will be open to constituents for a **60 day comment period**.
23. Each subsequent ED will include, where applicable, the amendments from the previous ED(s) to enable clarity of the accumulated changes to the standards. Constituents are asked to limit their comments to the relevant ED, however, where a comment or a substantive issue (only) relating to a prior ED needs to be made, constituents are asked to identify the issue separately and where applicable indicate the effect, if any, on the subsequent ED(s).
24. At the completion of each exposure period, the AUASB will consider constituents’ submissions and where the AUASB determines that compelling reason exist, amendments to the exposure draft will be made.

25. On a progressive basis, the AUASB intends to provide *preliminary approvals* to the final standards. The preliminary approved versions of the standards will be available on the AUASB website. All standards included in the 2015 exposures – 01/15, 02/15 and 03/15 are intended to be finalised and issued in 2015. **ED 01/16** is intended to be finalised and issued in early 2016.

Other Outreach Activities

26. In addition to the public exposure process, the AUASB intends to:
- (a) Conduct roundtable consultative meetings; and
 - (b) Hold specific discussions with a selection of constituents.

Post Implementation Review

27. In line with the intentions of the IAASB, the AUASB has determined that the application of the new standard ASA 701 (KAM) applies to listed entities and other entities where the auditor decides to communicate KAM.
28. The AUASB intends to conduct a post implementation review of the enhancements to auditor reporting which will include a specific evaluation of the application of ASA 701 to entities other than listed entities, such as Public Interest Entities. The AUASB's post implementation review will feed into, and be informed by, the post implementation reviews of the IAASB and the NZAuASB.
29. Although the AUASB does not intend to extend application of ASA 701 at this time, constituents are asked to comment on whether ASA 701 should be applied to other entities, and if so, what specific entity types should be required to apply ASA 701; and what criteria should be used to identify such entities. Along with other future analyses, constituents' comments at this time will be most helpful and will inform the AUASB's post implementation review process.

Application

30. The entire suite of Auditing Standards relating to auditor reporting enhancements are applicable for financial reporting periods **ending on or after 15 December 2016**. This application date corresponds with that of the equivalent ISAs.

Early Adoption

31. Consistent with the IAASB's policy, all Australian Auditing Standards may be early adopted unless explicitly prohibited. Early adoption, in this context, is intended by the AUASB to mean adoption of the entire suite of Auditing Standards relating to auditor reporting enhancements and (revised) ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

Key Enhancements to the Auditor's Report

32. For audits of listed entities:
- New section to communicate **key audit matters** (KAM). KAM are those matters that, in the auditor's judgement, were of most significance in the audit of the current period financial report.
33. For all audits:
- **Opinion section** required to be **presented first**, followed by the Basis for Opinion section, unless law or regulation prescribe otherwise.
 - Voluntary communication of key audit matters (KAM).

- Enhanced auditor reporting on **going concern** (GC), including:
 - Description of the respective responsibilities of management and the auditor for GC;
 - A separate section **when a material uncertainty exists**, and is adequately disclosed, under the heading “Material Uncertainty Related to Going Concern” (previously included in an Emphasis of Matter paragraph); and
 - New requirement to challenge the adequacy of financial report disclosures for so-called “**close calls**” in view of the applicable financial reporting framework when events or conditions are identified that may cast significant doubt on an entity’s ability to continue as a GC.
- Affirmative **statement about the auditor’s independence** and fulfilment of **relevant ethical responsibilities**, and the identification of the relevant ethical requirements applicable within Australia.
- **Enhanced description of the responsibilities of the auditor** and key features of an audit, together with the provision that certain components of this description may be presented in an appendix to the auditor’s report.

Website Resources

34. The AUASB welcomes constituents’ input to the development of Australian Auditing Standards and regards both supportive and critical comments as essential to a balanced review of the proposed standards. Constituents are encouraged to access the websites of the [AUASB](#) and the [IAASB](#) to obtain further information.

* *

Appendix 1

(Ref: Para. 17)

LISTING OF EXISTING “AUS” PARAGRAPHS PROPOSED TO BE REMOVED FROM PRE-EXISTING AUDITOR REPORTING STANDARDS

Table 1: References to the Corporations Act 2001

Standard	Paragraph Reference <small>[Shaded = Requirement]</small>	Paragraph Text
ASA 700	Aus A34.1	When the audit of a financial report is conducted in accordance with the <i>Corporations Act 2001</i> (the “Act”), section 308(3)(b) of that Act requires the auditor to describe in the auditor’s report any deficiency, failure or shortcoming in respect of certain matters referred to in section 307(b), (c) or (d) of that Act
	Aus A36.1	An example of “other reporting responsibilities” is where a remuneration report is included in a directors’ report and the auditor is required to report in accordance with section 308(3C) of the <i>Corporations Act 2001</i>
	Aus A37.1	Under the <i>Corporations Act 2001</i> , the auditor of a company or registered scheme is required to sign the auditor’s report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable
ASA 705	Aus A12.1	An inability to obtain sufficient appropriate audit evidence due to a management-imposed limitation may be a matter that the auditor is required to report to the Australian Securities and Investments Commission (ASIC) under sections 311, 601HG or 990K of the <i>Corporations Act 2001</i> (the Act). Particular attention should be given to section 312 of the Act which deals with assisting an auditor.
	Aus A15.1	Under the <i>Corporations Act 2001</i> , the removal and resignation of auditors is covered by sections 329 and 331AC.
	Aus A19.1	Where an audit is conducted under the <i>Corporations Act 2001</i> (the Act) and there is a material misstatement of the financial report that relates to the non-disclosure of required information, the auditor needs to consider reporting obligations under the Act.
ASA 706	Aus A4.1	When an auditor’s report is prepared on a financial report prepared under the <i>Corporations Act 2001</i> (the Act), section 308(3B) of the Act requires that if the financial report includes additional information under paragraph 295(3)(c) (additional information included to give a true and fair view of the entity’s financial position and performance), the auditor’s report includes the auditor’s opinion on whether the additional information was necessary to give a true and fair view.
ASA 260	Aus 17.1	In the case of entities audited in accordance with the <i>Corporations Act 2001</i> , the auditor shall communicate with those charged with governance a statement that the engagement team and others in the firm as appropriate, the firm, and, when applicable network firms, have

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Standard	Paragraph Reference <small>[Shaded = Requirement]</small>	Paragraph Text
		complied with the independence requirements of section 307C of the <i>Corporations Act 2001</i> .
	Aus A35.1	<p>An auditor is required under the <i>Corporations Act 2001</i> to notify the Australian Securities and Investments Commission (ASIC) if the auditor is aware of certain circumstances;</p> <ul style="list-style-type: none"> • Submit copies of certain reports prepared for those charged with governance to relevant regulatory or funding bodies, or other bodies such as a central authority in the case of some public sector entities; or • Make reports prepared for those charged with governance publicly available
ASA 570	Aus 3.1	Australian Accounting Standards require management to make an assessment of an entity’s ability to continue as a going concern. In addition, certain legislation, such as the <i>Corporations Act 2001</i> , requires a formal statement as to the solvency of the entity to be made by those charged with governance and included as part of the financial report upon which the auditor’s opinion is expressed
	Aus A23.1	<p>In our opinion, except for the incomplete disclosure of the information referred to in the Basis for Qualified Opinion paragraph, the financial report of ABC Company Ltd. is in accordance with the <i>Corporations Act 2001</i>, including:</p> <ol style="list-style-type: none"> (a) giving a true and fair view of the company’s financial position as at 30 June 20X1 and of its performance for the year then ended; and (b) complying with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
	Aus A24.1	<p>In our opinion, because of the omission of the information described in the Basis for Adverse Opinion paragraph, the financial report of ABC Company Ltd. is not in accordance with the <i>Corporations Act 2001</i>, and does not:</p> <ol style="list-style-type: none"> (a) give a true and fair view of the financial position of the company as at 30 June 20X1, and of its performance for the year then ended; and (b) comply with Australian Accounting Standards and the <i>Corporations Regulations 2001</i>.
	Aus A27.2	An auditor is required under the <i>Corporations Act 2001</i> (the Act) to notify the Australian Securities and Investments Commission (ASIC) if the auditor, when conducting an audit, becomes aware of certain circumstances specified in the Act. ASIC provides guidance to help auditors comply with their obligations under the <i>Corporations Act 2001</i> , such as reporting suspected insolvent trading.
ASA 210	Aus A20.1	Section 312 of the <i>Corporations Act 2001</i> (the Act) requires an officer of the Entity to allow the auditor access to the books of the Entity and give any information, explanation or assistance required under section 310 of the Act. A management-imposed restriction of scope may breach section 312 and trigger the need for a section 311 notice to be provided by

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Standard	Paragraph Reference [Shaded = Requirement]	Paragraph Text
		the auditor to the Australian Securities and Investments Commission (ASIC).
ASA 220	Aus A2.1	Notwithstanding reliance by the engagement team on the firms' system of quality control, for audits undertaken in accordance with the <i>Corporations Act 2001</i> (the Act), the engagement partner is required to comply with the auditing standards under section 307A of that Act.
	Aus A6.1	The familiarity threat is particularly relevant in the context of financial report audits of listed entities. For these audits, relevant ethical requirements and the <i>Corporations Act 2001</i> specify the partner rotation requirements.
	Aus A6.2	The engagement partner may be required to obtain consent from the Australian Securities and Investments Commission (ASIC) prior to resigning from certain audits.
ASA 230	Aus A23.1	Under section 307B of the <i>Corporations Act 2001</i> , the auditor or member of an audit firm is required to retain all audit working papers prepared by or for or considered or used by, the auditor in accordance with the requirements of the Australian Auditing Standards until: <ul style="list-style-type: none"> (a) The end of seven years after the date of the audit report prepared in relation to the audit or review to which the audit working papers relate; or (b) An earlier date determined by the Australian Securities and Investments Commission for the audit working papers.
ASA 580	Aus A12.1	Section 323B of the <i>Corporations Act 2001</i> (the Act) requires the auditor of a controlled (component) entity to give the principal (group) auditor any information, explanation or assistance required under section 323A of the Act.
ASA 710	Aus A10.1	In respect of audit engagements conducted under the <i>Corporations Act 2001</i> , if the prior period auditor's report on the prior period financial report is amended by a predecessor auditor during the current financial year, the auditor is unable to express an opinion in the current period auditor's report in respect of that amendment.

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Table 2: Other References

Standard	Paragraph Reference [Shaded = Requirement]	Paragraph Text
ASA 700	Aus 37.1	When an entity, in accordance with Accounting Standard AASB 101 <i>Presentation of Financial Statements</i> , has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards (IFRSs), and the auditor agrees with the entity’s statement of compliance, the auditor shall state that in the auditor’s opinion, the financial report complies with IFRSs.
	Aus 40.1	The auditor’s report shall be dated as of the date the auditor signs that report.
	Aus A33.1	With respect to the requirement in paragraph Aus 37.1, Appendix 1 provides illustrations of auditors’ reports, see: <ul style="list-style-type: none"> • [Aus] Illustration 1A: Example Auditor’s Report Single Company—<i>Corporations Act 2001</i>; and • [Aus] Illustration 3A: Example Auditor’s Report Consolidated Entity—<i>Corporations Act 2001</i>.
	Aus A33.2	ASA 705 provides requirements and guidance when the auditor disagrees with those charged with governance in relation to compliance with the requirements of Australian Accounting Standards, and this applies to, and includes, AASB 101 requirements.
ASA 705	Aus 19.1	Request management and/or those charged with governance to correct the non-disclosure in the financial report.
	Aus 19.2	Where, under paragraph 19(c) of this Auditing Standard, the omitted disclosures are not included in the basis of modification paragraph, the auditor shall include the reasons for the omission from the basis of modification paragraph.
ASA 706	Aus 6.1	In addition to the requirements in paragraph 6 of this Auditing Standard, the auditor shall include an Emphasis of Matter paragraph in the auditor’s report where required by other Auditing Standards.
	Aus 7.1	When the financial report has been prepared in accordance with Australian Accounting Standards but additional disclosures have been made in the financial report: <ul style="list-style-type: none"> • on the basis that, or which imply that, application of a particular Accounting Standard has resulted in the financial report being potentially misleading; or • that, in the opinion of those charged with governance, are necessary to present a true and fair view; and the auditor is of the opinion that: <ol style="list-style-type: none"> (a) it is likely, in the absence of the additional disclosures, that users would be misled when making evaluations or decisions about the allocation of scarce resources; and (b) the additional disclosures contain all, and only, relevant and reliable information, and are presented in such a manner as to

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Standard	Paragraph Reference <small>[Shaded = Requirement]</small>	Paragraph Text
		<p>ensure the financial report as a whole is comparable and understandable in meeting the objectives of the financial report, the auditor shall include in the auditor’s report an Emphasis of Matter paragraph headed "Application of Australian Accounting Standard AASB ..." or an appropriate alternative which:</p> <ul style="list-style-type: none"> (i) draws attention to the additional disclosures; (ii) where relevant, states that in the auditor's opinion application of the particular Accounting Standard has, in this instance, resulted in the financial report being potentially misleading; (iii) states the specific reasons why the auditor believes the additional disclosures are necessary to ensure the financial report as a whole is not misleading (the auditor's reasons are to be stated in the auditor’s report itself rather than only by reference to the reasons included in the financial report); and (iv) states that, in the auditor's opinion, the additional disclosures are relevant and reliable in meeting the objectives of the financial report.
	Aus 8.1	In addition to the requirements in paragraph 8 of this Auditing Standard, the auditor shall include an Other Matter paragraph in the auditor’s report where required by other Auditing Standards.
	Aus A1.1	Ordinarily, a significant uncertainty, the resolution of which may materially affect the financial report, would warrant an Emphasis of Matter paragraph in the auditor’s report.
	Aus A2.1	Accounting estimates are ordinarily made in connection with amounts and other disclosures appearing in the financial report. In most cases the auditor is able to be satisfied regarding the reasonableness of an accounting estimate. Requirements and application and other explanatory material on this matter are contained in <i>ASA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i> . Such an accounting estimate will not ordinarily be regarded as a significant uncertainty for the purposes of this Auditing Standard.
	Aus A10.1	The inclusion of an Other Matter paragraph in the auditor’s report does not affect the auditor’s opinion. An auditor needs to consider whether, in the circumstances, it is appropriate to indicate that the auditor’s opinion is not modified in respect of the Other Matter paragraph.
ASA 260	Aus 19.1	If the auditor is concerned that a written report intended for those charged with governance has not been, or may not be, distributed to all members of that group, the auditor shall endeavour to ensure all members are appropriately informed of the contents of the report.
ASA 570	Aus 1.1	For the purposes of this Auditing Standard, a reference to management is taken to mean “management, and where appropriate, those charged with governance”.
	Aus A14.1	Other than enquiry of management, the auditor does not have a

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Standard	Paragraph Reference <small>[Shaded = Requirement]</small>	Paragraph Text
	[now Aus A15.1]	responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the relevant period, which, as discussed in paragraph Aus 13.2, is approximately twelve months from the date of the auditor's report on the current financial report
	Aus A19.1 [now Aus A21.1]	Refer to [Aus] Appendix 1 for a diagrammatic illustration of the links between going concern considerations and the types of audit opinions
	Aus A21.1	Refer to [Aus] Appendix 3 for an Illustrative Auditor's Report that contains an unqualified opinion with an Emphasis of Matter paragraph
	Aus A23.1	Refer to [Aus] Appendix 2 for an Illustrative Auditor's Report that contains a qualified opinion.
	Aus A24.2	Refer to [Aus] Appendix 2 for an Illustrative Auditor's Report that contains an adverse opinion.
	Aus A27.1 [now Aus A33.1]	Refer to [Aus] Appendix 2 for an Illustrative Auditor's Report that contains a disclaimer of opinion
ASA 230	Aus 16.1	The auditor shall adopt appropriate procedures for maintaining the confidentiality, safe custody, integrity, accessibility and retrievability of the audit documentation. (Ref: Para. Aus A24.1)
	Aus A23.2	Relevant Legislation or regulation, other than the <i>Corporations Act 2001</i> , may require the retention of audit working papers for specified periods.
	Aus A24.1	Under ASQC 1, firms are required to establish policies and procedures to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of audit documentation.
ASA 540	Aus 23.1	The auditor's evaluation of any indicators of possible management bias in making accounting estimates, including whether the circumstances giving risk to the indicators of bias represent a risk of material misstatement due to fraud. (Ref: Para. A128)
	Aus A7.1	Impairment testing of assets.
	Aus A124.1	Indicators of possible management bias affecting accounting estimates may represent a risk of material misstatement due to fraud as discussed in ASA 240.
ASA 580	Aus 49.1	Where a component auditor issues, or intends to issue, a modified auditor's report, the group engagement partner shall consider: (a) The nature and significance of the modification, in relation to the financial report of the Entity on which the group engagement

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Standard	Paragraph Reference <small>[Shaded = Requirement]</small>	Paragraph Text
		<p>partner is reporting; and</p> <p>(a) Whether a modification is also required to the group engagement partner’s audit report, under ASA 705.</p>
	Aus A65.1	<p>In the public sector, group management may not always be readily identifiable at the whole of government level. Furthermore, responsibility for internal control may remain at individual entity level only. In such cases, the auditor determines the appropriate level of management with whom to communicate.</p>
ASA 710	Aus A7.1	<p>When the prior period’s financial report was audited by a predecessor auditor, and the audit opinion was unmodified, the auditor would not ordinarily include a reference to that predecessor auditor’s opinion in the auditor’s report. If the predecessor auditor’s report was modified, the auditor considers the appropriateness of including a reference to that predecessor auditor’s opinion in the auditor’s report.</p>

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