

ASA 700

(April 2006)

Auditing Standard ASA 700
***The Auditor's Report on a
General Purpose Financial
Report***

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



Australian Government

Auditing and Assurance Standards Board

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CONTENTS

PREFACE

AUTHORITY STATEMENT

	<i>Paragraphs</i>
Application.....	1
Operative Date	2
Introduction.....	3-5
The Auditor's Report on a Financial Report	6-12
<i>Applicable Financial Reporting Framework</i>	13-14
<i>Forming an Opinion on the Financial Report</i>	15-19
<i>Rare Circumstances when Applying the Financial Reporting Framework Results in a Misleading Financial Report</i>	20
Elements of the Auditor's Report in an Audit Conducted in Accordance with Auditing Standards.....	21-22
<i>Title</i>	23-24
<i>Addressee</i>	25-26
<i>Introductory Paragraph</i>	27-32
<i>The Responsibility of Those Charged with Governance for the Financial Report</i>	33-36
<i>Auditor's Responsibility</i>	37-43
<i>Auditor's Opinion</i>	44-49
<i>Other Reporting Responsibilities</i>	50-52
<i>Auditor's Signature</i>	53
<i>Date of the Auditor's Report</i>	54-57
<i>Auditor's Address</i>	58
<i>Other</i>	59-61
Auditor's Reports for Audits Conducted in Accordance with both Australian Auditing Standards and International Standards on Auditing.....	62-63
Unaudited Supplementary Information Presented with an Audited Financial Report	64-68

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

Conformity with International Standards on Auditing.....	69
Appendix 1: Example of an Unmodified Auditor's Report	
Appendix 2: Summary of Audit Reporting Requirements Under the <i>Corporations Act 2001</i>	

SUPERSEDED

PREFACE

Reasons for Issuing Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*, due to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (the CLERP 9 Act) established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001*, as from 1 July 2004. 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*.

Main Features

This Auditing Standard:

- (a) establishes mandatory requirements and provides explanatory guidance on the form and content of the auditor's report issued in connection with the audit of a general purpose financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation;
- (b) provides explanatory guidance on the matters the auditor ordinarily considers in forming an opinion on the financial report;
- (c) establishes mandatory requirements and provides explanatory guidance on the auditor's reporting on other reporting responsibilities in addition to the auditor's opinion on the financial report;
- (d) establishes mandatory requirements and provides explanatory guidance on the auditor's performance and reporting responsibilities when the audit has been conducted in accordance with both Australian Auditing Standards and International Standards on Auditing ("ISAs"); and

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- (e) establishes mandatory requirements and provides explanatory guidance on the auditor's responsibilities with respect to supplementary financial report information included with the financial report that is not required by the financial reporting framework.

Operative Date

This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.

Main changes from AUS 702 (May 2002) *The Audit Report on a General Purpose Financial Report*

The main differences between this Auditing Standard and the Auditing Standard issued by the Auditing & Assurance Standards Board of the Australian Accounting Research Foundation, AUS 702 (May 2002) *The Audit Report on a General Purpose Financial Report*, are that in this Auditing Standard:

1. The word 'shall', in the **bold-type** paragraphs, is the terminology used to describe an auditor's mandatory requirements, whereas an auditor's degree of responsibility is described in AUS 702 by the word 'should'.
2. The explanatory paragraphs provide guidance and illustrative examples to assist the auditor in fulfilling the mandatory requirements, whereas in AUS 702 some obligations are implied within certain explanatory paragraphs. Accordingly, such paragraphs have been redrafted to clarify that the matter forms part of the explanatory guidance.
3. The mandatory requirements and explanatory guidance relating to modifications to the auditor's report are included in ASA 701 *Modifications to the Auditor's Report*, whereas such mandatory requirements and explanatory guidance are contained in AUS 702 together with the mandatory requirements and explanatory guidance relating to unmodified auditor's reports. Furthermore, as described in the Main Changes section of ASA 701, new terminology relating to the types of opinions issued by the auditor has been adopted.
4. The mandatory requirements refer generically to the "applicable financial reporting framework" The mandatory requirements in AUS 702 specifically identify the financial reporting framework as the "Accounting Standards and other mandatory professional reporting

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

requirements in Australia and, when appropriate, relevant statutory and other requirements”.

5. The following additional mandatory requirements are included (these mandatory requirements are either not contained in AUS 702 or have been expanded in this Auditing Standard). The addition of these mandatory requirements has resulted in a change in the content and format of the example auditor's reports in the Appendices:

The Auditor's Report on a Financial Report

- (a) Unless required by law or regulation to use different wording, the auditor's opinion on a general purpose financial report prepared in accordance with a financial reporting framework that is designed to achieve fair presentation shall state whether the financial report “gives a true and fair view” or “presents fairly, in all material respects,” in accordance with the applicable financial reporting framework (paragraph 8).

In AUS 702, the wording to express the auditor's opinion should be “presents fairly”.

Introductory Paragraph

- (b) The introductory paragraph in the auditor's report shall identify the entity whose financial report has been audited and shall state that the financial report has been audited. The introductory paragraph shall also:
- (i) identify the title of each of the financial statements that comprise the financial report;
 - (ii) refer to the summary of significant accounting policies and other explanatory notes and, when appropriate, the directors' declaration; and
 - (iii) specify the date and period covered by the financial report (paragraph 27).

In AUS 702, the audit report should identify the financial report being audited, including the name of the entity and the reporting period covered by the financial report.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

The Responsibility of Those Charged with Governance for the Financial Report

- (c) The auditor's report shall state that those charged with governance are responsible for the preparation and the fair presentation of the financial report in accordance with the applicable financial reporting framework and that this responsibility includes:
 - (i) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error;
 - (ii) selecting and applying appropriate accounting policies; and
 - (iii) making accounting estimates that are reasonable in the circumstances (paragraph 33).

In AUS 702, the audit report should include a statement that the financial report is the responsibility of the members of the governing body only.

Auditor's Responsibility

- (d) The auditor's report shall also explain that Auditing Standards require that the auditor complies with relevant ethical requirements relating to audit engagements (paragraph 39).
- (e) The auditor's report shall describe an audit by stating that:
 - (i) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.
 - (ii) The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making those risk assessments, the auditor shall consider internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

expressing an opinion on the effectiveness of the entity's internal control. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control.

- (iii) An audit also includes evaluating the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by those charged with governance, as well as the overall presentation of the financial report (paragraph 42).

In AUS 702, the audit report should include a statement that the auditor's procedures included the examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates only.

- (f) The auditor's report shall state that the auditor believes the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion (paragraph 43).

In AUS 702, the audit report should include a statement that the audit opinion expressed in the report has been formed on the basis identified in the scope section.

Auditor's Opinion

- (g) When Australian Accounting Standards are not used as the financial reporting framework, the reference to the financial reporting framework in the wording of the opinion shall identify the jurisdiction or country of origin of the financial reporting framework (paragraph 46).

Other Reporting Responsibilities

- (h) When the auditor addresses other reporting responsibilities within the auditor's report on the financial report, these other reporting responsibilities shall be included in a

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

separate section in the auditor's report that follows the opinion paragraph (paragraph 51).

Date of the Auditor's Report

- (i) The auditor's report shall be dated as of the date the auditor signs that report. The auditor shall date the auditor's report on the financial report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial report. Sufficient appropriate audit evidence shall include evidence that the entity's financial report has been prepared and that those charged with governance have asserted that they have taken responsibility for it (paragraph 54).

In AUS 702, the audit report should be dated as of the date the auditor signs that report. That date should be no earlier than the date on which the financial report is signed or approved by the governing body only.

Auditor's Report

- (j) The auditor's report shall be in writing (paragraph 59).

Auditor's Report for Audits Conducted in Accordance with both Australian Auditing Standards and International Standards on Auditing

- (k) The auditor's report shall refer to the audit having been conducted in accordance with the Australian Auditing Standards and International Standards on Auditing (ISAs) only when the auditor has complied fully with all of the Auditing Standards and ISAs relevant to the audit (paragraph 63).

Unaudited Supplementary Information presented with an Audited Financial Report

- (l) The auditor shall be satisfied that any supplementary information presented together with the financial report that is not covered by the auditor's opinion is clearly differentiated from the audited financial report (paragraph 64).
- (m) If the auditor concludes that the entity's presentation of any unaudited supplementary information does not differentiate it sufficiently from the audited financial report, the auditor

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

shall explain in the auditor's report that the information has not been audited (paragraph 67).

6. The mandatory requirements contained in paragraphs .17, .17(c), .17(e), .17(g), .24 and .26 of AUS 702 are not included. These mandatory requirements have been superseded by new mandatory requirements of this Auditing Standard or other Auditing Standards.
7. The explanatory guidance on concise financial reports and example auditor's reports in respect of concise financial reports, contained in an Appendix to AUS 702, are not included.
8. The example auditor's reports in the Appendices have been reworded based on the example auditor's report in ISA 700 (Revised) *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*.
9. Appendix 2 "Summary of Audit Reporting Requirements Under the *Corporations Act 2001*," has been updated.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*, as set out in paragraphs 1 to 69 and Appendices 1 to 2, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Auditing Standards are to be understood, interpreted and applied.

The mandatory requirements of this Auditing Standard are set out in **bold-type** paragraphs.

Dated 28 April 2006

M H Kelsall
Chairman - AUASB

AUDITING STANDARD ASA 700

The Auditor's Report on a General Purpose Financial Report

Application

- 1 **This Auditing Standard applies to:**
 - (a) **an audit of a general purpose financial report for a financial year, or an audit of a general purpose financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and**
 - (b) **an audit of a general purpose financial report for any other purpose.**

Operative Date

- 2 **This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.**

Introduction

- 3 The purpose of this Auditing Standard is to establish mandatory requirements and to provide explanatory guidance on the auditor's report issued as a result of an audit of a general purpose financial report prepared in accordance with a financial reporting framework that is designed to achieve fair presentation.¹ This Auditing Standard also provides explanatory guidance on the matters the auditor ordinarily considers in forming an opinion on the financial report. A "general purpose financial report" is a financial report prepared in accordance with a financial reporting framework that is designed to meet the common information needs of a wide range of users.
- 4 This Auditing Standard addresses circumstances when the auditor is able to express an unqualified opinion and no modification to the auditor's report is necessary. *ASA 701 Modifications to the Auditor's Report*, establishes mandatory requirements and provides explanatory guidance on modifications to this report for an emphasis

¹ This Auditing Standard does not address the auditor's report on a concise financial report prepared in accordance with the *Corporations Act 2001*. Audit Reporting considerations relating to concise financial reports will be addressed in a separate guidance statement.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

of matter, a qualified opinion, a disclaimer of opinion or an adverse opinion.

- 5 *ASA 800 The Auditor's Report on Special Purpose Audit Engagements*, establishes mandatory requirements and provides explanatory guidance on the form and content of the auditor's report issued as a result of an audit of:
- (a) a complete financial report prepared in accordance with an alternative comprehensive basis of accounting, such as a special purpose financial report prepared for the purpose of fulfilling the directors' financial reporting requirements under the *Corporations Act 2001*;
 - (b) a component of a general purpose or special purpose financial report, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;
 - (c) compliance with a contractual agreement; and
 - (d) a summarised financial report.

The Auditor's Report on a Financial Report

- 6 **The auditor's report shall contain a clear expression of the auditor's opinion on the financial report.**
- 7 As stated in *ASA 200 Objective and General Principles Governing an Audit of a Financial Report*, the objective of an audit of a financial report is to enable the auditor to express an opinion whether the financial report is prepared, in all material respects, in accordance with an applicable financial reporting framework. In Australia, the applicable financial reporting framework for a general purpose financial report is:
- (a) the Accounting Standards promulgated by the Australian Accounting Standards Board ("Australian Accounting Standards");² and
 - (b) when appropriate, other relevant statutory³ or other requirements.

² Including the Australian Accounting Interpretations.

³ Such as the *Corporations Act 2001*.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- 8 **Unless required by law or regulation to use different wording, the auditor's opinion on a general purpose financial report prepared in accordance with a financial reporting framework that is designed to achieve fair presentation shall state whether the financial report "gives a true and fair view" or "presents fairly, in all material respects," in accordance with the applicable financial reporting framework.**
- 9 As explained in ASA 200, the financial reporting framework determines what constitutes a general purpose financial report. A general purpose financial report under Australian Accounting Standards comprises a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, a summary of significant accounting policies and other explanatory notes.
- 10 For the purposes of this Auditing Standard, the phrases "gives a true and fair view" and "presents fairly, in all material respects," are equivalent. Which of these phrases is used may be determined by the law or regulations governing the audit of the financial report. For example, the auditor's opinion on a financial report prepared in accordance with the *Corporations Act 2001* is required by that Act to use the phrase "true and fair view". In all other cases, the auditor's opinion on a general purpose financial report ordinarily uses the phrase "presents fairly, in all material respects."
- 11 In some cases, law or regulation governing the audit of a financial report may prescribe wording for the auditor's opinion that is different from the phrases described in paragraph 8. Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this Auditing Standard for forming the opinion remain the same.
- 12 When wording prescribed by law or regulation differs significantly from the phrases in paragraph 8, there may be a risk that users misunderstand the assurance obtained in an audit of a financial report. For example, the wording may convey to readers that the auditor is attesting to the accuracy of the financial report amounts rather than expressing an opinion on whether the financial report gives a true and fair view or presents fairly, in all material respects. In such circumstances, the auditor ordinarily considers whether the risk of misunderstanding can be mitigated through appropriate explanation in the auditor's report.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

Applicable Financial Reporting Framework

- 13 The auditor's judgement regarding whether the financial report gives a true and fair view or presents fairly, in all material respects, is made in the context of the applicable financial reporting framework.
- 14 In the case of a financial report that is within the scope of this Auditing Standard, application of a financial reporting framework determined to be acceptable for a general purpose financial report will, except in the rare circumstances discussed in paragraph 20, result in a financial report that achieves fair presentation. Although the financial reporting framework may not specify how to account for or disclose all transactions or events, it ordinarily embodies sufficient broad principles that can serve as a basis for developing and applying accounting policies that are consistent with the concepts underlying the requirements of the framework. Thus, the financial reporting framework provides a context for the auditor's evaluation of the fair presentation of the financial report, including whether the financial report has been prepared and presented in accordance with the specific requirements of the applicable financial reporting framework for particular classes of transactions, account balances and disclosures.

Forming an Opinion on the Financial Report

- 15 **The auditor shall evaluate the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the financial report.**
- 16 When forming an opinion on the financial report, under paragraph 15 of this Auditing Standard, the auditor needs to evaluate whether, based on the audit evidence obtained, there is reasonable assurance about whether the financial report taken as a whole is free from material misstatement. Under ASA 330 *The Auditor's Procedures in Response to Assessed Risks*, and ASA 320 *Materiality and Audit Adjustments*, the auditor needs to conclude whether sufficient appropriate audit evidence has been obtained to reduce to an acceptably low level the risks of material misstatement of the financial report and to evaluate the effects of uncorrected misstatements identified.
- 17 Under paragraphs 8 and 15 of this Auditing Standard, the auditor needs to form an opinion as to whether the financial report gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework which involves evaluating whether the financial report has been prepared and presented in accordance with the specific requirements of the

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

applicable financial reporting framework for particular classes of transactions, account balances and disclosures. This evaluation ordinarily involves considering whether, in the context of the applicable financial reporting framework:

- the accounting policies selected and applied are consistent with the financial reporting framework and are appropriate in the circumstances;
- the accounting estimates made by management and those charged with governance are reasonable in the circumstances;
- the information presented in the financial report, including accounting policies, is relevant, reliable, comparable and understandable; and
- the financial report provides sufficient disclosures to enable users to understand the effect of material transactions and events on the information conveyed in the financial report, for example, in the case of a financial report prepared in accordance with Australian Accounting Standards, the entity's financial position, financial performance and cash flows.

18 In forming an opinion as to whether the financial report gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework, the auditor ordinarily:

- evaluates the fair presentation of the financial report;
- considers whether the financial report, after any adjustments made by management and those charged with governance as a result of the audit process, is consistent with the auditor's understanding of the entity and its environment;
- considers the overall presentation, structure and content of the financial report; and
- considers whether the financial report, including the note disclosures, faithfully represents the underlying transactions and events in a manner that gives a true and fair view of or presents fairly, in all material respects, the information conveyed in the financial report in the context of the financial reporting framework.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- 19 In accordance with ASA 520 *Analytical Procedures*, the auditor is required to apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial report as a whole is consistent with the auditor's understanding of the entity. Such procedures help to corroborate conclusions formed during the audit and assist in arriving at the overall conclusion as to the fair presentation of the financial report.

Rare Circumstances when Applying the Financial Reporting Framework Results in a Misleading Financial Report

- 20 Application of a financial reporting framework determined to be acceptable for a general purpose financial report will ordinarily result in a financial report that achieves fair presentation. In rare circumstances, however, application of a specific requirement in a framework that has been determined to be acceptable for a general purpose financial report may result in a financial report that is misleading in the particular circumstances of the entity. Accounting Standard AASB 101 *Presentation of Financial Statements*, contains requirements relating to rare and exceptional circumstances in which management and those charged with governance conclude that compliance with an Australian Accounting Standard would be so misleading that it would conflict with the objective of the financial report as set out in the *Framework for the Preparation and Presentation of Financial Statements*. Furthermore, when a financial report is prepared pursuant to the *Corporations Act 2001*, that Act states that if the financial statements and notes prepared in compliance with the Australian Accounting Standards would not give a true and fair view, additional information must be included in the notes to the financial statements necessary to give a true and fair view. If the auditor encounters circumstances that lead the auditor to conclude that compliance with a specific requirement results in a financial report that is misleading, under ASA 701, the auditor needs to consider the need to modify the auditor's report. The modifications, if any, that are appropriate to the auditor's report will depend on how management and those charged with governance address the matter in the financial report and how the financial reporting framework deals with these rare circumstances.

Elements of the Auditor's Report in an Audit Conducted in Accordance with Auditing Standards⁴

- 21 Consistency in the auditor's report, when the audit has been conducted in accordance with the Auditing Standards, promotes

⁴ Paragraphs 62-63 address the auditor's report when the audit has been conducted in accordance with both Australian Auditing Standards and International Standards on Auditing.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

credibility in the Australian marketplace by making more readily identifiable those audits that have been conducted in accordance with recognised auditing standards. It also helps to promote the reader's understanding and to identify unusual circumstances when they occur.

22 Paragraphs 23-61 set out the mandatory requirements and explanatory guidance relating to the following elements of the auditor's report when the audit has been conducted in accordance with the Auditing Standards:

- (a) title;
- (b) addressee;
- (c) introductory paragraph;
- (d) the responsibility of those charged with governance for the financial report;
- (e) auditor's responsibility;
- (f) auditor's opinion;
- (g) other reporting responsibilities;
- (h) auditor's signature;
- (i) date of the auditor's report;
- (j) auditor's address; and
- (k) other.

Title

23 The auditor's report shall have a title that clearly indicates that it is the report of an independent auditor.

24 Under ASA 200, the auditor needs to comply with relevant ethical requirements relating to audit engagements, which include independence requirements. A title indicating the report is the report of an independent auditor, for example, *Independent Auditor's Report*, affirms that the auditor has met all of the relevant ethical requirements regarding independence and, therefore, distinguishes the independent auditor's report from reports issued by others.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

Addressee

- 25 The auditor's report shall be addressed as required by the circumstances of the engagement.**
- 26 Laws or regulations often specify to whom the auditor's report on a general purpose financial report is to be addressed. For example, the auditor's report on a financial report prepared pursuant to the *Corporations Act 2001* is required by that Act to be addressed to the members of the entity. In other cases, the auditor's report on a general purpose financial report is ordinarily addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the entity whose financial report is being audited.

Introductory Paragraph

- 27 The introductory paragraph in the auditor's report shall identify the entity whose financial report has been audited and shall state that the financial report has been audited. The introductory paragraph shall also:**
- (a) identify the title of each of the financial statements that comprise the financial report;**
 - (b) refer to the summary of significant accounting policies, other explanatory notes and, when appropriate, the directors' declaration; and**
 - (c) specify the date and period covered by the financial report.**
- 28 This mandatory requirement is ordinarily met by stating that the auditor has audited the accompanying financial report of the entity, which comprises (state the titles of the financial statements required by the applicable financial reporting framework, specifying the date and period covered by those financial statements) and referring to the summary of significant accounting policies, other explanatory notes and, when appropriate, the directors' declaration. In addition, when the auditor is aware that the financial report will be included in a document that contains other information, such as an annual report, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the financial report is presented. This helps readers to identify the financial report to which the auditor's report relates.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- 29 The auditor's opinion covers the financial report as defined by the applicable financial reporting framework. In the case of a financial report prepared in accordance with Australian Accounting Standards, this includes: a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and a summary of significant accounting policies and other explanatory notes. In some cases, additional information may also be considered to be an integral part of the financial report.
- 30 In some circumstances, the entity may be required by law or regulation or standards, or may voluntarily choose, to present together with the financial report, supplementary information that is not required by the financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the financial reporting framework or to provide further explanation of specific financial report items. Such information is normally presented in either supplementary schedules or as additional notes. The auditor's opinion may or may not cover the supplementary information and therefore, under paragraph 64 of this Auditing Standard, the auditor needs to be satisfied that any supplementary information that is not covered by the auditor's opinion is clearly differentiated.
- 31 In some circumstances, the supplementary information cannot be clearly differentiated from the financial report because of its nature and how it is presented and, accordingly, such supplementary information is covered by the auditor's opinion. For example, the auditor's opinion covers notes or supplementary schedules that are cross-referenced from the financial report. This would also be the case when the notes to the financial report include an explanation of the extent to which the financial report complies with another financial reporting framework. In such cases, under paragraph 67 of this Auditing Standard, the auditor needs to explain in the auditor's report that the information has not been audited.
- 32 Supplementary information that is presented as an integral part of the financial report does not need to be specifically referred to in the introductory paragraph of the auditor's report when the reference to the notes in the description of the components of the financial report in the introductory paragraph is sufficient.

The Responsibility of Those Charged with Governance for the Financial Report

- 33 The auditor's report shall state that those charged with governance are responsible for the preparation and the fair presentation of the financial report in accordance with the**

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

applicable financial reporting framework and that this responsibility includes:

- (a) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error;**
- (b) selecting and applying appropriate accounting policies; and**
- (c) making accounting estimates that are reasonable in the circumstances.**

- 34 A financial report is the representation of those charged with governance. The responsibility of those charged with governance for the preparation and fair presentation of the financial report is ordinarily defined by the applicable financial reporting framework. For example, in the case of a financial report prepared in accordance with Australian Accounting Standards, those charged with governance are responsible for preparing a financial report that fairly presents the financial position, financial performance and cash flows of the entity in accordance with Australian Accounting Standards. To fulfil this responsibility, management and those charged with governance design and implement internal control⁵ to prevent or to detect and correct misstatements, whether due to fraud or error, in order to ensure the reliability of the entity's financial reporting. The preparation of the financial report requires management and those charged with governance to exercise judgement in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. These judgements are made in the context of the applicable financial reporting framework.
- 35 There may be circumstances when it is appropriate for the auditor to add to the description of the responsibilities of those charged with governance referred to in paragraph 33 to reflect additional responsibilities that are relevant to the preparation and presentation of the financial report in the context of the particular engagement or the nature of the entity.

⁵ In some cases, law or regulation prescribing the responsibility of those charged with governance may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting systems. As books, records and accounting systems are an integral part of internal control (as defined in ASA 315 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*), no specific reference is made to them in paragraph 33 for the description of the responsibilities of those charged with governance.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

36 The term “those charged with governance” has been used in this Auditing Standard to describe those responsible for the preparation and fair presentation of the financial report. Other terms to describe those charged with governance may be appropriate depending on the legal framework governing the audit of the financial report. For example, the appropriate term to describe those responsible for the preparation and fair presentation of a financial report prepared pursuant to the *Corporations Act 2001*, is the “directors”.

Auditor's Responsibility

37 **The auditor's report shall state that the responsibility of the auditor is to express an opinion on the financial report based on the audit.**

38 The auditor's report states that the auditor's responsibility is to express an opinion on the financial report based on the audit in order to contrast it to the responsibility of those charged with governance for the preparation and fair presentation of the financial report.

39 **The auditor's report shall state that the audit was conducted in accordance with Australian Auditing Standards. The auditor's report shall also explain that those standards require that the auditor complies with relevant ethical requirements relating to audit engagements and that the auditor plans and performs the audit to obtain reasonable assurance whether the financial report is free from material misstatement.**

40 The reference to Australian Auditing Standards conveys to the reader that the audit has been conducted in accordance with established standards.

41 ASA 200 specifies what is required in order to conduct an audit in accordance with Australian Auditing Standards. Under ASA 200, the auditor is not permitted to represent compliance with Australian Auditing Standards unless the auditor has complied fully with all of the Australian Auditing Standards relevant to the audit.

42 **The auditor's report shall describe an audit by stating that:**

- (a) **an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report;**
- (b) **the procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether**

due to fraud or error. In making those risk assessments, the auditor shall consider internal control relevant to the entity's preparation and fair presentation of the financial report 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. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, the auditor shall omit the phrase that the auditor's consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and

- (c) an audit also includes evaluating the appropriateness of the accounting policies used, the reasonableness of accounting estimates made by those charged with governance, as well as the overall presentation of the financial report.

- 43 The auditor's report shall state that the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

Auditor's Opinion

- 44 An unqualified opinion shall be expressed when the auditor concludes that the financial report gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework.
- 45 When expressing an unqualified opinion, the auditor shall include a section headed "Auditor's Opinion". The opinion paragraph of the auditor's report shall state the auditor's opinion that the financial report gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework (unless the auditor is required by law or regulation to use different wording for the opinion, in which case the prescribed wording shall be used).
- 46 When Australian Accounting Standards are not used as the financial reporting framework, the reference to the financial reporting framework in the wording of the opinion shall identify the jurisdiction or country of origin of the financial reporting framework.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- 47 The auditor's opinion states that the financial report gives a true and fair view of or presents fairly, in all material respects, the information that the financial report is designed to convey (which is determined by the financial reporting framework). For example, in the case of a financial report prepared in accordance with Australian Accounting Standards, the auditor expresses an opinion that the financial report gives a true and fair view of or presents fairly, in all material respects, the financial position of the entity as at the end of the period and the entity's financial performance and cash flows for the period then ended.
- 48 To advise the reader of the context in which the auditor's opinion is expressed, under paragraph 45 of this Auditing Standard, the auditor's opinion identifies the applicable financial reporting framework on which the financial report is based. When the applicable financial reporting framework is not Australian Accounting Standards, under paragraph 46 of this Auditing Standard, the auditor's opinion also needs to identify the jurisdiction or country of origin of the applicable financial reporting framework. The auditor ordinarily identifies the applicable financial reporting framework in such terms as:
- “... in accordance with Australian Accounting Standards”; or
- “... in accordance with accounting principles generally accepted in Country X ...”.
- 49 When the applicable financial reporting framework encompasses legal and regulatory requirements, the auditor ordinarily identifies the applicable financial reporting framework in such terms as:
- “... in accordance with Australian Accounting Standards and, when appropriate, other relevant statutory or other requirements”; or
- “... in accordance with accounting principles generally accepted in Country X and the requirements of Country X Corporations Act”.

Other Reporting Responsibilities

- 50 In some cases, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility to express an opinion on the financial report. For example, the auditor may be asked to report certain matters if they come to the auditor's attention during the course of the audit of the financial report. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters. When the audit of the financial report is

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

conducted pursuant to the *Corporations Act 2001*, 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.

- 51 When the auditor addresses other reporting responsibilities within the auditor's report on the financial report, these other reporting responsibilities shall be included in a separate section in the auditor's report that follows the opinion paragraph.**
- 52 Under paragraph 51 of this Auditing Standard, the auditor needs to address these other reporting responsibilities in a separate section of the auditor's report in order to clearly distinguish them from the auditor's responsibilities for, and opinion on, the financial report.

Auditor's Signature

- 53 The auditor's report shall be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.**

Date of the Auditor's Report

- 54 The auditor's report shall be dated as of the date the auditor signs that report. The auditor shall date the auditor's report on the financial report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the opinion on the financial report. Sufficient appropriate audit evidence shall include evidence that the entity's financial report has been prepared and that those charged with governance have asserted that they have taken responsibility for it.**
- 55 The date of the auditor's report informs the reader that the auditor has considered the effect of events and transactions of which the auditor became aware and that occurred up to that date. The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in ASA 560 *Subsequent Events*.
- 56 Since the auditor's opinion is provided on the financial report and the financial report is the responsibility of those charged with governance, under paragraph 54 of this Auditing Standard, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until the auditor obtains evidence that a financial report has been prepared and those charged with governance have accepted responsibility for it.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- 57 The auditor's report on a financial report prepared pursuant to the *Corporations Act 2001* is required by that Act to specify the date on which the auditor's report was made.

Auditor's Address

- 58 The report shall name the location in the country or jurisdiction where the auditor practices.**

Other

- 59 The auditor's report shall be in writing.**
- 60 A written report encompasses both reports issued in hard copy format and those using an electronic medium.
- 61 Appendix 1 to this Auditing Standard contains an illustration of the auditor's report incorporating the elements set forth above for an audit of a financial report prepared in accordance with Australian Accounting Standards expressing an unmodified opinion.

Auditor's Report for Audits Conducted in Accordance with Both Australian Auditing Standards and International Standards on Auditing

- 62 The auditor may conduct the audit in accordance with both the Australian Auditing Standards and the International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB"). The conformity section explains the relationship of this Auditing Standard with its equivalent ISA issued by the IAASB.
- 63 The auditor's report shall refer to the audit having been conducted in accordance with the Australian Auditing Standards and ISAs only when the auditor has complied fully with all of the Auditing Standards and ISAs relevant to the audit.**

Unaudited Supplementary Information Presented with an Audited Financial Report

- 64 The auditor shall be satisfied that any supplementary information presented together with the financial report that is not covered by the auditor's opinion is clearly differentiated from the audited financial report.**

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- 65 As noted in paragraphs 30-32, the entity may be required to, or those charged with governance may choose to, include supplementary information together with the financial report. The auditor's opinion is considered to cover supplementary information that cannot be clearly differentiated from the financial report because of its nature and how it is presented. In other circumstances, however, law or regulation may not require the supplementary information to be audited and those charged with governance may not ask the auditor to include the supplementary information within the scope of the audit of the financial report. When the supplementary information is not intended to be audited, under paragraph 64 of this Auditing Standard, the auditor needs to consider whether that supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion and, if so, management and those charged with governance ought to change how the information is presented. For example, the auditor considers where the unaudited information is presented in relation to the financial report and any audited supplementary information, and whether it is clearly labelled as "unaudited". The auditor may, for example, ask management and those charged with governance to remove any cross references from the financial report to unaudited supplementary schedules or unaudited notes because the demarcation between the audited and unaudited information would not be sufficiently clear as such unaudited notes that are intermingled with the audited notes can also be misinterpreted as being audited. The auditor may also, for example, ask the entity to place the unaudited information outside of the set of a financial report, or, if that is not possible in the circumstances, at a minimum, place the unaudited notes together at the end of the required notes to the financial report and clearly label them as unaudited.
- 66 As noted in paragraph 28, 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 audited financial report is presented in the auditor's report. This helps readers differentiate the financial report from other information not covered by the auditor's opinion.
- 67 If the auditor concludes that the entity's presentation of any unaudited supplementary information does not differentiate it sufficiently from the audited financial report, the auditor shall explain in the auditor's report that that information has not been audited.**
- 68 Under ASA 720 *Other Information in Documents Containing Audited Financial Reports*, the auditor needs to read the

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

supplementary information that is unaudited to identify material inconsistencies with the audited financial report. The auditor's responsibilities with respect to unaudited supplementary information are described in ASA 720.

Conformity with International Standards on Auditing

69 Except as noted below, this Auditing Standard conforms with International Standard on Auditing ISA 700 *The Independent Auditor's Report on a Complete Set of General Purpose Financial Statements*, effective for auditor's reports dated on or after 31 December 2006, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The main differences between this Auditing Standard and ISA 700 are:

- This Auditing Standard includes the following mandatory requirements that are included as explanatory guidance in ISA 700:
 - ◆ Unless required by law or regulation to use different wording, the auditor's opinion on a general purpose financial report prepared in accordance with a financial reporting framework designed to achieve fair presentation shall state whether the financial report "gives a true and fair view" or "presents fairly, in all material respects" in accordance with the financial reporting framework (paragraph 8).
 - ◆ The auditor's report shall be signed in one or more of the name of the audit firm, the audit company or the personal name of the auditor, as appropriate for the particular jurisdiction (paragraph 53). ISA 700 requires the auditor's report to be signed but this mandatory requirement does not specify by whom.
- This Auditing Standard contains the following mandatory requirement not contained in ISA 700:
 - ◆ When expressing an unqualified opinion, the auditor shall include a section headed "Auditor's Opinion" (paragraph 45).
 - ◆ The auditor's report shall be dated as of the date the auditor signs that report (paragraph 54).

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- This Auditing Standard incorporates terminology and references used in Australia and refers to the requirements of the Australian Accounting Standards and the *Corporations Act 2001*. This Auditing Standard includes an Appendix relating to the “Audit Reporting Requirements under the *Corporations Act 2001*” and includes two example auditors’ reports applicable when the audit is conducted under that Act, whereas ISA 700 does not.
- This Auditing Standard contains a section relating to “Auditor’s Reports for Audits Conducted in Accordance with Both Auditing Standards and International Standards on Auditing” whereas, the equivalent section in ISA 700 relates to “Auditor’s Reports for Audits Conducted in Accordance with Both ISAs and Auditing Standards of a Specific Jurisdiction or Country.” In this Auditing Standard, this section has been tailored to reflect audits conducted in accordance with both Auditing Standards and ISAs only whereas, in ISA 700, this section has a broad focus.
- This Auditing Standard does not contain references to practises in other jurisdictions that are included in ISA 700 when this practise is not relevant to or permitted in Australia.
- The example auditor’s reports are contained in the Appendices to this Auditing Standard whereas, the example auditor’s report is contained in the body of the standard in ISA 700.
- ISA 700 includes a Public Sector Perspective. This Auditing Standard does not include a separate section on the public sector as it is sector neutral.

Compliance with this Auditing Standard enables compliance with ISA 700.

APPENDIX 1

EXAMPLE OF AN UNMODIFIED AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report⁶

We have audited the accompanying financial report of [name of entity], which comprises the balance sheet as at 30 June 20XX, and the income statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes.⁷

The Responsibility of [Those Charged with Governance]⁸ for the Financial Report

[Those charged with governance] are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).⁹ This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

⁶ The subheading "Report on the Financial Report" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

⁷ As noted in paragraph 28 of this Auditing Standard, 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 audited financial report is presented.

⁸ Or, alternatively, insert the title of those charged with governance. For example, "Directors' Responsibility for the Financial Report." Insert appropriate title, when prompted, throughout the report.

⁹ And, when appropriate, statutory or other requirements.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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.¹⁰ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by [those charged with governance], as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Opinion

In our opinion, the financial report presents fairly, in all material respects, (or "gives a true and fair view of") the financial position of [name of entity] as of 30 June 20XX, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations).¹¹

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]¹²

[Date of the auditor's report]

[Auditor's address]

¹⁰ 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 report, 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 report in order to design audit procedures that are appropriate in the circumstances."

¹¹ And, when appropriate, statutory or other requirements.

¹² Under paragraph 53 of this Auditing Standard, the auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

APPENDIX 2

SUMMARY OF AUDIT REPORTING REQUIREMENTS UNDER THE *CORPORATIONS ACT 2001*

- 1 The auditor's responsibilities for an entity subject to the *Corporations Act 2001* ("the Act") are found in Division 3 of Part 2M.3 of that Act. The Act sets out the auditor's obligations to form an opinion and to report to members, both in respect of the audit of an annual financial report,¹³ and the audit or review of a half-year financial report.
- 2 This Appendix provides a summary of the auditor's responsibilities with regard to the audit of an annual financial report or a half-year financial report in accordance with the Act and includes two example auditors' reports prepared under the Act. The Appendix in ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, provides a summary of the auditor's responsibilities with regard to the review of a half-year financial report in accordance with the Act.

Duty to Form an Opinion

- 3 Section 307 of the Act requires an auditor who conducts an audit of the financial report for a financial year or half-year to form an opinion about:
- (a) whether the financial report is in accordance with this Act, including:
 - (i) section 296 or 304 (compliance with accounting standards); and
 - (ii) section 297 or 305 (true and fair view); and
 - (b) if the financial report includes additional information under paragraph 295(3)(c) or 303(3)(c) (information included to give true and fair view of financial position and performance) — whether the inclusion of that additional information was necessary to give the true and fair view required by section 297 or 305.

¹³ Under section 314 of the *Corporations Act 2001*, a company, registered scheme or disclosing entity may report to members by way of either a full or concise report. This Auditing Standard does not address the auditor's report on a concise report.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- (c) whether the auditor has been given all information, explanation and assistance necessary for the conduct of the audit; and
- (d) whether the company, registered scheme or disclosing entity has kept financial records sufficient to enable a financial report to be prepared and audited; and
- (e) whether the company, registered scheme or disclosing entity has kept other records and registers as required by this Act.

Duty to Report – Annual Financial Report

4 Section 308(1) of the Act states that an auditor who audits the financial report for a financial year must report to members on whether the auditor is of the opinion that the financial report is in accordance with this Act, including:

- (a) section 296 (compliance with accounting standards); and
- (b) section 297 (true and fair view).

If not of that opinion, the auditor's report must say why.

Non-compliance with accounting standards

5 Section 308(2) of the Act requires that if the auditor is of the opinion that the financial report does not comply with an accounting standard, the auditor's report must, to the extent practicable to do so, quantify the effect that non-compliance has on the financial report. If it is not practicable to quantify the effect fully the report must say why.

Defects or irregularities

6 Section 308(3) requires that the auditor's report must describe:

- (a) any defect or irregularity in the financial report; and
- (b) any deficiency, failure or shortcoming in respect of the matters referred to in paragraph 307(b), (c) or (d) (described above).

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

Auditing Standards Disclosures

- 7 Section 308(3A) requires that the auditor's report must include any statements or disclosures required by the auditing standards.

Information included to give true and fair view

- 8 Section 308(3B) requires that if the financial report includes additional information under paragraph 295(3)(c) (information included to give true and fair view of financial position and performance), the auditor's report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by section 297.

Other

- 9 Section 308(4) of the Act requires that the report must specify the date on which it was made.

Duty to Report – Audit of Half-Year Financial Report

- 10 Section 309(1) of the Act states that an auditor who audits the financial report for a half-year must report to members on whether the auditor is of the opinion that the financial report is in accordance with this Act, including:

- (a) section 304 (compliance with accounting standards); and
- (b) section 305 (true and fair view).

If not of that opinion, the auditor's report must say why.

Non-compliance with accounting standards

- 11 Section 309(2) of the Act requires that if the auditor is of the opinion that the financial report does not comply with an accounting standard, the auditor's report must, to the extent practicable to do so, quantify the effect that non-compliance has on the financial report. If it is not practicable to quantify the effect fully the report must say why.

Defects or irregularities

- 12 Section 309(3) requires that the auditor's report must describe:
- (a) any defect or irregularity in the financial report; and

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- (b) any deficiency, failure or shortcoming in respect of the matters referred to in paragraph 307(b), (c) or (d) (described above).

Auditing Standards Disclosures

- 13 Section 309(5A) requires that the auditor's report must include any statements or disclosures required by the auditing standards.

Information included to give true and fair view

- 14 Section 309(5B) requires that if the financial report includes additional information under paragraph 303(3)(c) (information included to give true and fair view of financial position and performance), the auditor's report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to give the true and fair view required by section 306.

Other

- 15 Section 309(6) requires that a report under subsection (1) must specify the date on which it was made.

Auditor's Independence Declaration

- 16 The Act contains general and specific provisions in relation to auditor independence. This section discusses the requirement of the auditor to prepare a written auditor's independence declaration only.
- 17 Section 307C provides that if an auditor conducts an audit of a financial report for a full year or an audit or review of the financial report for a half year, the auditor must give the directors of the company, registered scheme or disclosing entity:
 - (a) a written declaration that, to the best of the auditor's knowledge and belief, there have been:
 - (i) no contraventions of the auditor independence requirements of the Act in relation to the audit or review; and
 - (ii) no contraventions of any applicable code of professional conduct in relation to the audit or review; or

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- (b) a written declaration that, to the best of the individual auditor's knowledge and belief, the only contraventions of:
- (i) the auditor independence requirements of the Act in relation to the audit or review; or
 - (ii) any applicable code of professional conduct in relation to the audit or review,
- are those contraventions details of which are set out in the declaration.
- 18 Section 307C(5) of the Act requires that the declaration be given when the audit report is given to the directors of the company, registered scheme or disclosing entity and that the declaration must be signed by the person making the declaration. However, ASIC has issued Class Order 05/83 "Timing of Auditor's Independence Declarations", which allows an auditor's report to be signed after the auditor's independence declaration is given to directors.

Signing the Auditor's Report

- 19 Section 324AA of the Act states that, subject to part 2M.4 of the Act, the following may be appointed as auditor for a company or a registered scheme for the purposes of the Act:
- (a) an individual;
 - (b) a firm; and
 - (c) an audit company.
- 20 Section 324AB (3) of the Act requires that a report or notice that purports to be made or given by a firm appointed as auditor of a company or registered scheme is not taken to be duly made or given unless it is signed by a member of the firm who is a registered company auditor both:
- (a) in the firm name; and
 - (b) in his or her own name.
- 21 Section 324AD (1) of the Act requires that a report or notice that purports to be made or given by an audit company appointed as auditor of a company or registered scheme is not taken to be duly made or given unless it is signed by a director of the audit company (or the lead auditor or review auditor for the audit) both:

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

- (a) in the audit company's name; and
- (b) in his or her own name.

Reporting to ASIC

- 22 Section 311 of the Act contains specific provisions relating to the auditor's obligation to notify ASIC of certain circumstances within 28 days after the auditor becomes aware of those circumstances. ASIC has issued [PN 34] "Auditors' Obligations: Reporting to ASIC" that provides guidance to help auditors comply with their obligation under section 311 and 601 HG to report suspected contraventions of the *Corporations Act 2001* to ASIC.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

EXAMPLE 1: UNMODIFIED AUDITOR'S REPORT PREPARED UNDER THE CORPORATIONS ACT 2001 – SINGLE CORPORATE ENTITY

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]

Report on the Financial Report¹⁴

We have audited the accompanying financial report of [name of entity], which comprises the balance sheet as at 30 June 20XX, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.¹⁵

Directors' Responsibility for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant

¹⁴ The subheading "Report on the Financial Report" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

¹⁵ As noted in paragraph 28 of this Auditing Standard, 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 audited financial report is presented.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

to the entity's preparation and fair presentation of the financial report 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.¹⁶ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*¹⁷

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report.¹⁸

Auditor's Opinion

In our opinion the financial report of [name of entity] is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the [company/registered scheme/disclosing entity]'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 (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

¹⁶ 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 report, 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 report in order to design audit procedures that are appropriate in the circumstances."

¹⁷ Refer ASIC Class Order 05/83 and the Summary of Audit Reporting Requirements under the *Corporations Act 2001*, in this appendix, for details of when an independence paragraph is required in an auditor's report.

¹⁸ 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.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]¹⁹

[Date of the auditor's report]

[Auditor's address]

SUPERSEDED

¹⁹ Under paragraph 53 of this Auditing Standard, the auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

EXAMPLE 2: UNMODIFIED AUDITOR'S REPORT PREPARED UNDER THE CORPORATIONS ACT 2001 – CONSOLIDATED ENTITY

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]

Report on the Financial Report²⁰

We have audited the accompanying financial report of [name of entity], which comprises the balance sheet as at 30 June 20XX, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the [company/registered scheme/disclosing entity] and the entities it controlled at the year's end or from time to time during the financial year.²¹

Directors' Responsibility for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected

²⁰ The subheading "Report on the Financial Report" is unnecessary in circumstances when the second subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

²¹ As noted in paragraph 28 of this Auditing Standard, 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 audited financial report is presented.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, 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 report 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.²² An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Independence*²³

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of [name of entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report.²⁴

Auditor's Opinion

In our opinion the financial report of [name of entity] is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the [company/registered scheme/disclosing entity]'s and consolidated entity's financial position as at 30 June 20XX and of their performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

²² 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 report, 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 report in order to design audit procedures that are appropriate in the circumstances."

²³ Refer ASIC Class Order 05/83 and the Summary of Audit Reporting Requirements under the *Corporations Act 2001*, in this appendix, for details of when an independence paragraph is required in an auditor's report.

²⁴ 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.

Auditing Standard ASA 700 *The Auditor's Report on a General Purpose Financial Report*

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]²⁵

[Date of the auditor's report]

[Auditor's address]

SUPERSEDED

²⁵ Under paragraph 53 of this Auditing Standard, the auditor's report needs to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.