

ASA 800
(April 2006)

Auditing Standard ASA 800
*The Auditor's Report on
Special Purpose Audit
Engagements*

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



Australian Government

Auditing and Assurance Standards Board

Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements*

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ISSN 1833-4393

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PREFACE

Reasons for Issuing Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* 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 establishes mandatory requirements and provides explanatory guidance on the audit of financial information, other than a general purpose financial report prepared in accordance with a financial report framework designed to achieve fair presentation, including:

- (a) a financial report prepared in accordance with an alternative comprehensive basis of accounting;
- (b) a component of a general purpose or special purpose financial report, such as a single financial statement;
- (c) compliance with contractual agreements; and
- (d) a summarised financial report.

Operative Date

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

Main changes from AUS 802 (May 2002) *The Audit Report on Financial Information Other Than 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 802 (May 2002) *The Audit Report on Financial Information Other Than 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 802 by the word 'should'.
2. The explanatory guidance paragraphs provide guidance and illustrative examples to assist the auditor in fulfilling the mandatory requirements, whereas in AUS 802 some obligations are implied within certain explanatory paragraphs. Accordingly, such paragraphs have been redrafted to clarify that they form part of the explanatory guidance.
3. The basic elements required in the auditor's report on a special purpose audit engagement, except for a report on a summarised financial report, have been updated based on the basic elements prescribed in ASA 700 *The Auditor's Report on a General Purpose Financial Report*. Consequently, the example auditors' reports in Appendix 1 have also been updated. The basic elements required in the auditor's report on a summarised financial report have been updated based on the basic elements prescribed in ISA 800 *The Independent Auditor's Report on a Special Purpose Audit Engagement*, but also contain some basic elements prescribed in ASA 700.
4. The following additional mandatory requirements are included (these mandatory requirements are either not contained in AUS 802 or have been expanded in this Auditing Standard):

General Considerations

- (a) When requested to report in a prescribed format, the auditor shall consider the substance and wording of the prescribed format and, when necessary, shall make appropriate changes to conform to the requirements of this Auditing Standard, either by rewording the form or by attaching a separate report (paragraph 13). In AUS 802, when

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requested to report on financial information in a prescribed format, the auditor should consider whether there are any restrictions on the substance and wording of the report that would constitute a limitation on the scope of the audit that could not be overcome either by rewording the prescribed format or by attaching a separate report.

- (b) The auditor shall consider whether any significant interpretations of an agreement on which the financial information is based are clearly disclosed in the financial information (paragraph 15). In AUS 802, when the information on which the auditor has been engaged to express an opinion is based on provisions of an agreement, the auditor should consider whether any significant interpretations of the agreement have been made in preparing the information.

Reports on Financial Reports Prepared in Accordance with an Alternative Comprehensive Basis of Accounting

- (c) The auditor's report on a financial report prepared in accordance with an alternative comprehensive basis of accounting shall include a statement that indicates the basis of accounting used or shall refer to the note to the financial report giving that information. The opinion shall state whether the financial report gives a true and fair view or presents fairly, in all material respects, in accordance with the identified basis of accounting (paragraph 22).
- (d) If the financial report prepared on an alternative comprehensive basis of accounting is not suitably titled or the basis of accounting is not adequately disclosed, the auditor shall issue an appropriately modified report (paragraph 25).

Reports on Components of a Financial Report

- (e) In determining the scope of the engagement, the auditor shall consider those financial report items that are inter-related and which could materially affect the information on which the audit opinion is to be expressed (paragraph 28). In AUS 802, when deciding whether to accept a separate engagement to express an audit opinion on a component(s) of a financial report, the auditor should consider whether the scope of the proposed engagement is sufficient to allow adequate attention to be paid to the inter-relationship that exists between various components.

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- (f) The auditor shall consider the concept of materiality in relation to the component of a financial report being reported upon (paragraph 30). In AUS 802, the auditor should consider the concept of materiality in relation to 'other' financial information.
- (g) The auditor's report on a component of a financial report shall include a statement that indicates the applicable financial reporting framework in accordance with which the component is presented or refers to an agreement that specifies the basis of accounting used. The opinion shall state whether the component gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework or identified basis of accounting (paragraph 32).

Reports on Compliance with Contractual Agreements

- (h) Engagements to express an opinion as to an entity's compliance with contractual agreements shall be undertaken only when the overall aspects of compliance relate to accounting and financial matters within the scope of the auditor's professional competence (paragraph 39).
 - (i) The report shall state whether, in the auditor's opinion, the entity has complied with the particular provisions of the agreement (paragraph 41).
5. The mandatory requirements contained in paragraphs .09, .10, .17, .30 and .34 of AUS 802 are not included in this Auditing Standard. These mandatory requirements have been superseded by new mandatory requirements of this Auditing Standard or other Auditing Standards.
 6. The matters dealt with in Appendix 2, Summary of Audit Reporting Requirements Under the *Corporations Act 2001* have been updated.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standard ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* as set out in paragraphs 1 to 50 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 800

The Auditor's Report on Special Purpose Audit Engagements

Application

- 1 **This Auditing Standard applies to:**
 - (a) **an audit of a special purpose financial report for a financial year, or for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*;**
 - (b) **an audit of a special purpose financial report for any other purpose; and**
 - (c) **an audit of other historical financial information as described in this Auditing Standard.**
- 2 This Auditing Standard also applies, as appropriate, to an audit of financial information other than that described in this Auditing Standard.

Operative Date

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

Introduction

- 4 The purpose of this Auditing Standard is to establish mandatory requirements and to provide explanatory guidance in connection with special purpose audit engagements including:
 - (a) a 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 of 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;

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- (c) compliance with contractual agreements; and
- (d) a summarised financial report.¹

5 The auditor shall review and assess the conclusions drawn from the audit evidence obtained during the special purpose audit engagement as the basis for an expression of opinion. The report shall contain a clear written expression of opinion.

General Considerations

6 The nature, timing and extent of work to be performed in a special purpose audit engagement will vary with the circumstances.

7 Before undertaking a special purpose audit engagement, the auditor shall ensure there is agreement with the client as to the exact nature of the engagement and the form and content of the report to be issued.

8 In planning the audit work, under paragraph 7 of this Auditing Standard, the auditor needs to obtain a clear understanding of the purpose for which the information being reported on is to be used, and who is likely to use it. To avoid the possibility of the auditor's report being used for purposes for which it was not intended, the auditor ordinarily indicates in the report the purpose for which the report is prepared and any restrictions on its distribution and use.

9 The auditor's report on a special purpose audit engagement, except for a report on a summarised financial report, shall include the following basic elements, ordinarily in the following layout:

- (a) a title clearly identifying it as the report of an independent auditor;**
- (b) an addressee;**
- (c) an introductory paragraph that:**
 - (i) identifies the financial information that was audited including the name of the entity whose financial information has been audited and the**

¹ This Auditing Standard does not address the auditor's report on a concise financial report prepared in accordance with Accounting Standard AASB 1039 *Concise Financial Reports* and the *Corporations Act 2001*. Audit reporting considerations relating to concise financial reports will be addressed separately. In addition, this Auditing Standard does not apply to review or related services engagements.

- reporting period covered by the financial information;**
 - (ii) identifies the responsible party, and includes a description of that party's responsibility for preparing and presenting the financial information in accordance with the applicable financial reporting framework; and**
 - (iii) includes a statement that the auditor is responsible for expressing an opinion on the financial information based on the audit;**
 - (d) a scope paragraph (describing the nature of an audit) that:**
 - (i) includes a statement that the audit was conducted in accordance with Australian Auditing Standards and an explanation that these Auditing Standards require the auditor to comply with relevant ethical requirements relating to audit engagements; and**
 - (ii) a description of the work the auditor performed;**
 - (e) a statement that the auditor believes that the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion;**
 - (f) an opinion paragraph containing an expression of opinion on the financial information that refers to the applicable financial reporting framework;**
 - (g) the date of the auditor's report;**
 - (h) the auditor's address; and**
 - (i) the auditor's signature.**
- 10 When relevant, the auditor ordinarily includes the following elements:
- a statement that the report is a special purpose financial report;

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- identification of the purpose for which the information has been prepared and, if necessary, the intended users;
 - a statement that the auditor expresses no opinion as to whether the financial reporting framework is appropriate to address the needs of the addressee of the auditor's report;
 - the extent to which Australian Accounting Standards have, or have not, been adopted in its preparation and presentation; and
 - identification of any specific restriction on the distribution of the auditor's report or on those entitled to rely on it.
- 11 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 information. ASA 700 *The Auditor's Report on a General Purpose Financial Report* contains mandatory requirements and explanatory guidance where the auditor has such additional reporting responsibilities.
- 12 A measure of uniformity in the form and content of the auditor's report is desirable because it helps to promote the reader's understanding.
- 13 **When requested to report in a prescribed format, the auditor shall consider the substance and wording of the prescribed report and, when necessary, shall make appropriate changes to conform to the requirements of this Auditing Standard, either by rewording the form or by attaching a separate report.**
- 14 In the case of financial information to be supplied by an entity to government authorities, trustees, insurers and other entities there may be a prescribed format for the auditor's report. Such prescribed reports may not conform to the mandatory requirements of this Auditing Standard. For example, the prescribed report may require a certification of fact when an expression of opinion is appropriate, may require an opinion on matters outside the scope of the audit or may omit essential wording.
- 15 **The auditor shall consider whether any significant interpretations of an agreement on which the financial information is based are clearly disclosed in the financial information.**
- 16 When the information on which the auditor has been requested to report is based on the provisions of an agreement, under paragraph

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15 of this Auditing Standard, the auditor needs to consider whether any significant interpretations of the agreement have been made by the responsible party in preparing the information. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the financial information.

- 17 The auditor may wish to make reference in the auditor's report on the special purpose audit engagement to the note within the financial information that describes such interpretations. In circumstances where the auditor considers the disclosures to be inadequate, under *ASA 701 Modifications to the Auditor's Report*, the auditor needs to consider the effect on the auditor's report.

Reports on Financial Reports Prepared in Accordance With an Alternative Comprehensive Basis of Accounting

- 18 A comprehensive basis of accounting comprises a set of criteria used in preparing a financial report which applies to all material items and which has substantial support. A financial report that is not prepared to meet the common information needs of a wide range of users may be prepared to meet the financial needs of specific users. The information needs of such users will determine the applicable financial reporting framework in such circumstances (which is referred to in this Auditing Standard as "an alternative comprehensive basis of accounting"). A financial report prepared in accordance with such financial reporting frameworks may be the only financial report prepared by an entity and, in such circumstances, is often used by other users in addition to those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, the financial report is still considered to be designed to meet the financial information needs of specific users for purposes of the Auditing Standard. In addition, although specific users may not be identified, a financial report that is prepared in accordance with a framework that is not designed to achieve fair presentation is also considered to be prepared in accordance with an alternative comprehensive basis of accounting. Examples of financial reporting frameworks that are designed to address the needs of specific users include the following:

- the tax basis of accounting for a financial report that accompanies an entity's tax return;

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- the cash receipts and disbursements basis of accounting for cash flow information that a business enterprise may be requested to prepare by creditors; and
 - the financial reporting provisions of a government regulatory agency for a financial report prepared for regulatory purposes.
- 19 In Australia, “non-reporting entities” have the option to prepare a special purpose financial report in compliance with those Australian Accounting Standards necessary to enable the financial report to meet the special purpose needs of users. Appendix 2 contains a summary of the audit reporting requirements under the *Corporations Act 2001*.
- 20 **The auditor shall consider whether the financial report is intended, or purports, to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs.**
- 21 Under paragraph 7 of this Auditing Standard, the auditor needs to understand the exact nature of the engagement and the purpose for which the financial report is prepared. This Auditing Standard is not applicable when the financial information upon which the auditor is to report is intended, or purports, to be a general purpose financial report. When, in the auditor’s opinion, the financial report is, or purports, to be a general purpose financial report, ASA 700 is applicable. Furthermore, ASA 210 *Terms of Audit Engagements* deals with circumstances where there has been a change in the terms of the engagement.
- 22 **The auditor’s report on a financial report prepared in accordance with an alternative comprehensive basis of accounting shall include a statement that indicates the basis of accounting used or shall refer to the note to the financial statements giving that information. The opinion shall state whether the financial report gives a true and fair view or presents fairly, in all material respects, in accordance with the identified basis of accounting.**
- 23 For the purposes of this Auditing Standard, the phrases “gives a true and fair view” or “presents fairly, in all material respects” are equivalent terms. 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 special purpose 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 financial report prepared in accordance with an alternative comprehensive basis of accounting ordinarily uses the phrase “presents fairly, in all material respects”. Appendix 1 to this Auditing Standard gives examples of auditor’s reports on financial reports prepared in accordance with an alternative comprehensive basis of accounting.

- 24 **Although the auditor’s responsibility is to form an opinion regarding presentation in accordance with the identified basis of accounting, rather than whether the framework adopted is appropriate to the needs of users, when the framework adopted is clearly likely to mislead users of the financial report, the auditor shall:**
- (a) **consider the steps taken by the preparers of the financial report to determine that the financial reporting framework is appropriate to the needs of the users;**
 - (b) **consider whether the users identified are the only likely users and the possibility that the financial report will be purported to be a general purpose financial report; and**
 - (c) **give particular attention to the disclosure of the framework, including consideration of whether the use of any conventional terminology within the financial report needs to be modified or embellished.**
- 25 **If the financial report prepared on an alternative comprehensive basis is not suitably titled or the basis of accounting is not adequately disclosed, the auditor shall issue an appropriately modified report.**
- 26 Under paragraph 25 of this Auditing Standard, the auditor needs to consider whether the title of, or a note to, the financial statements makes it clear to the reader that the report is not prepared in accordance with Australian Accounting Standards. For example, a tax basis financial report might be entitled “Report of Income and Expenses — Income Tax Basis”.

Reports on Components of a Financial Report

- 27 The auditor may be requested to express an opinion on one or more components of a financial report, for example, a single financial statement such as a balance sheet, accounts receivable, inventory, an employee’s bonus calculation or a provision for income taxes. The

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component might be prepared to meet the financial information needs of specific users and have limited distribution, or may be intended to meet the information needs of a wide range of users and, therefore, prepared in accordance with the relevant requirements of an applicable financial reporting framework. This type of engagement may be undertaken as a separate engagement or in conjunction with an audit of the entity's financial report (ASA 700 contains mandatory requirements and explanatory guidance in relation to the auditor's other reporting responsibilities). However, this type of engagement does not result in a report on the financial report taken as a whole and, accordingly, an opinion is only expressed on the component.

28 In determining the scope of the engagement, the auditor shall consider those financial report items that are inter-related and which could materially affect the information on which the audit opinion is to be expressed.

29 Many financial report items are inter-related, for example, sales and receivables, and inventory and payables. Accordingly, when reporting on a component of a financial report, the auditor may be unable to consider the subject of the audit in isolation and, under paragraph 28 of this Auditing Standard, needs to examine certain other financial information.

30 The auditor shall consider the concept of materiality in relation to the component of a financial report being reported upon.

31 For example, a particular account balance provides a smaller base against which to measure materiality compared with the financial report taken as a whole. Consequently, the auditor's examination will ordinarily be more extensive than if the same component were to be audited in connection with a report on the entire financial report.

32 The auditor's report on a component of a financial report shall include a statement that indicates the applicable financial reporting framework in accordance with which the component is presented or refers to an agreement that specifies the basis of accounting used. The opinion shall state whether the component gives a true and fair view or presents fairly, in all material respects, in accordance with the applicable financial reporting framework or identified basis of accounting.

33 For the purposes of this Auditing Standard, the phrases "gives a true and fair view" or "presents fairly, in all material respects" are equivalent terms. However, the auditor's opinion on a component of

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a financial report ordinarily uses the phrase “presents fairly, in all material respects”. Appendix 1 to this Auditing Standard gives an example of an auditor’s report on a component of a financial report.

- 34 When a modified opinion on the entire financial report has been expressed, the auditor shall refer to the modification in the auditor’s report if:**
- (a) the modification has a material effect on the component; or**
 - (b) on the date of signing the auditor’s report, the auditor is aware that the auditor’s report on the component is to be presented with the entire financial report or other significant components.**
- 35 The auditor ordinarily confirms with the entity, prior to signing the auditor’s report, whether or not the auditor’s report on the component is to be presented with the entire financial report or other significant components. Reference to the modification in the auditor’s report would ordinarily be included in a paragraph preceding the opinion paragraph.
- 36 When an adverse opinion or disclaimer of opinion on the entire financial report has been expressed, the auditor shall report on components of the financial report only if those components are not so extensive as to constitute a major portion of the financial report.**
- 37 To do otherwise may overshadow the report on the entire financial report.

Reports on Compliance with Contractual Agreements

- 38 The auditor may be requested to report on an entity’s compliance with certain aspects of contractual agreements, such as bond indentures or loan agreements. Such agreements ordinarily require the entity to comply with a variety of covenants involving such matters as payments of interest, maintenance of predetermined financial ratios, restriction of dividend payments and the use of the proceeds of sales of property.
- 39 Engagements to express an opinion as to an entity’s compliance with contractual agreements shall be undertaken only when the overall aspects of compliance relate to accounting and financial matters within the scope of the auditor’s professional competence.**

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- 40 When there are particular matters forming part of the engagement that are outside the auditor's expertise, under ASA 620 *Using the Work of an Expert*, the auditor needs to consider using the work of an expert.
- 41 **The report shall state whether, in the auditor's opinion, the entity has complied with the particular provisions of the agreement.**
- 42 Appendix 1 to this Auditing Standard gives an example of an auditor's report on compliance given in a separate report.

Reports on Summarised Financial Reports

- 43 An entity may prepare a financial report summarising its annual audited financial report for the purpose of informing user groups interested in the highlights only of the entity's financial position and the results of its operations.
- 44 **Unless the auditor has expressed an auditor's opinion on the financial report from which the summarised financial report was derived, the auditor shall not report on the summarised financial report.**
- 45 Summarised financial reports are presented in considerably less detail than annual audited financial reports. Therefore, such financial reports ought to indicate the summarised nature of the information and caution the reader that, for a better understanding of an entity's financial position and the results of its operations, the summarised financial report is to be read in conjunction with the entity's most recent audited financial report which include all disclosures required by the relevant financial reporting framework.
- 46 Summarised financial reports ought to be titled to identify the audited financial report from which they have been derived, for example, "Summarised Financial Information Prepared from the Audited Financial Report for the Year Ended 30 June 20XX".
- 47 Summarised financial reports do not contain all the information required by the financial reporting framework used for the annual audited financial report. Consequently, wording such as "true and fair" or "presents fairly, in all material respects" is not used by the auditor when expressing an opinion on a summarised financial report.

- 48** The auditor's report on a summarised financial report shall include the following basic elements ordinarily in the following layout:
- (a) a title clearly identifying it as the report of an independent auditor;
 - (b) an addressee;
 - (c) an identification of the audited financial report from which the summarised financial report was derived, including the name of the entity and the reporting period covered by the financial report;
 - (d) a reference to the date of the auditor's report on the unabridged financial report and the type of opinion given in that report;
 - (e) a reference to Australian Auditing Standards and relevant ethical requirements relating to audit engagements;
 - (f) an opinion as to whether the information in the summarised financial report is consistent with the audited financial report from which it was derived. When the auditor has issued a modified opinion on the unabridged financial report yet is satisfied with the presentation of the summarised financial report, the auditor's report should state that, although consistent with the unabridged financial report, the summarised financial report was derived from a financial report on which a modified auditor's report was issued;
 - (g) a statement, or reference to the note within the summarised financial report, which indicates that for a better understanding of an entity's financial performance and position and of the scope of the audit performed, the summarised financial report shall be read in conjunction with the unabridged financial report and the auditor's report thereon;
 - (h) the date of the report;
 - (i) the auditor's address; and
 - (j) the auditor's signature.

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49 Appendix 1 to this Auditing Standard gives an example of an auditor's report on a summarised financial report.

Conformity with International Standards on Auditing

50 Except as noted below, this Auditing Standard conforms with International Standard on Auditing ISA 800 *The Independent Auditor's Report on Special Purpose Audit Engagements*, issued by the International Auditing and Assurance Standards Board of the International Federation of Accountants. The main differences between this Auditing Standard and ISA 800 are:

- This Auditing Standard includes the following mandatory requirements not contained in ISA 800:
 - ◆ the auditor shall consider whether the financial report is intended, or purports, to meet the information needs common to users who are unable to command the preparation of reports tailored so as to satisfy, specifically, all of their information needs (paragraph 20);
 - ◆ although the auditor's responsibility is to form an opinion regarding presentation in accordance with the identified basis of accounting, rather than whether the framework adopted is appropriate to the needs of users, when the framework adopted is clearly likely to mislead users of the financial report, the auditor shall:
 - consider the steps taken by the preparers of the financial report to determine that the financial reporting framework is appropriate to the needs of the users;
 - consider whether the users identified are the only likely users and the possibility that the financial report will be purported to be a general purpose financial report; and
 - give particular attention to the disclosure of the framework, including consideration of whether the use of any conventional terminology within the financial report needs to be modified or embellished (paragraph 24); and

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- ◆ when a modified opinion on the entire financial report has been expressed, the auditor shall refer to the modification in the auditor's report if:
 - the modification has a material effect on the component; or
 - on the date of signing the auditor's report, the auditor is aware that the audit report on the component is to be presented with the entire financial report or other significant components (paragraph 34).
- The auditor's opinion on a financial report prepared in accordance with an alternative comprehensive basis of accounting or a component of a financial report shall state whether the financial report "gives a true and fair view" or "presents fairly, in all material respects" (paragraphs 22 and 32) whereas ISA 800 provides that the opinion should state whether the financial statements are "prepared, in all material respects".
- In this Auditing Standard, the matters the auditor is required to include in the auditor's report on a special purpose audit engagement has been updated based on the requirements in ASA 700 *The Auditor's Report on a General Purpose Financial Report*, whereas a number of these matters are not required in ISA 800. Consequently, the example auditor's reports differ between this Auditing Standard and ISA 800.
- This Auditing Standard contains references to the requirements of the *Corporations Act 2001* for special purpose financial reports prepared under that Act and includes a summary of the audit reporting responsibilities under the *Corporations Act 2001* whereas, ISA 800 does not.
- ISA 800 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 800.

APPENDIX 1

EXAMPLES OF AUDITORS' REPORTS ON SPECIAL PURPOSE AUDIT ENGAGEMENTS

*EXAMPLE 1: SPECIAL PURPOSE FINANCIAL REPORT
(NON-CORPORATIONS ACT ENTITY)*

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose 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, other explanatory notes and the [those charged with governance]² declaration.³

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

[Those charged with governance] of the entity are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the financial reporting requirements of the [constitution]⁴ and are appropriate to meet the needs of the members. The [those charged with governance] responsibility also 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.

² Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

³ 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.

⁴ Insert reference to appropriate mandate.

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Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. 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 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.⁵ 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.

The financial report has been prepared for distribution to members for the purpose of fulfilling the [those charged with governance] financial reporting under the [constitution]. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

[Independence]

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies].⁶

⁵ 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".

⁶ Include where appropriate.

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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 the accounting policies described in Note 1 to the financial statements.

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]

[Date of the auditor's report]

[Auditor's address]

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EXAMPLE 2: STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of [name of entity] for the year ended 30 June 20XX.

The Responsibility of [Those Charged with Governance]⁷ for the Financial Statement

[Those charged with governance] are responsible for the preparation and presentation of this statement in accordance with the cash receipts and disbursements basis of accounting described in Note X for the purpose of providing information to XYZ creditor. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the statement 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 statement 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 statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statement. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and presentation of the statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

⁷ Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

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The statement of cash receipts and disbursements has been prepared in accordance with the cash receipts and disbursements basis of accounting described in Note X for purposes of providing information to XYZ Creditor. The statement may not be suitable for another purpose. Our report is intended solely for [name of entity] and XYZ Creditor and should not be distributed to or used by parties other than [name of entity] or XYZ Creditor.

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 statement of cash receipts and disbursements of [name of entity] for the year ended 30 June 20XX, presents fairly, in all material respects, (or "gives a true and fair view") in accordance with the cash receipts and disbursements basis of accounting described in Note X.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

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EXAMPLE 3: FINANCIAL REPORT PREPARED ON THE ENTITY'S INCOME TAX BASIS

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

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 and a summary of significant accounting policies and other explanatory notes.

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

[Those charged with governance] are responsible for the preparation and presentation of the financial report in accordance with the tax basis of accounting for the purpose of [describe purpose e.g. filing the income tax return with the relevant tax authority]. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and 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 to the entity's preparation and 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates

⁸ Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

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made by [those charged with governance], as well as evaluating the overall presentation of the financial report.

The financial report has been prepared in accordance with the tax basis of accounting for the purpose of [describe purpose, e.g., filing the income tax return of [name of entity] with the relevant taxation authority]. The financial report may not be suitable for another purpose. Our report is intended solely for [name of entity] and should not be distributed to or used by parties other than [name of entity].

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 of [name of entity] for the year ended 30 June 20XX presents fairly, in all material respects, (or “gives a true and fair view”) in accordance with the tax basis of accounting.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

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EXAMPLE 4: SCHEDULE OF ACCOUNTS RECEIVABLE

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of accounts receivable and summary of significant accounting policies and explanatory notes of [name of entity] for the year ended 30 June 20XX.

The [Responsibility of Those Charged with Governance]⁹ for the Schedule

[Those charged with governance] are responsible for the preparation and fair presentation of the schedule in accordance with Australian Accounting Standards for the purpose of complying with section X or loan agreement Y between [name of entity] and DEF Bank. This responsibility includes determining that the Australian Accounting Standards are an acceptable basis for preparing and fairly presenting the schedule in the circumstances; designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the schedule 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 schedule 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 schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the schedule whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by [those charged

⁹ Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

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with governance], as well as evaluating the overall presentation of the schedule.

The schedule of accounts receivable and significant accounting policies and explanatory notes have been prepared in accordance with Australian Accounting Standards for the purposes of complying with section X of loan agreement Y between [name of entity] and DEF Bank. The schedule may not be suitable for another purpose. Our report is intended solely for [name of entity] and DEF Bank and should not be distributed to or used by parties other than [name of entity] or DEF Bank.

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 schedule of accounts receivable and summary of significant accounting policies and other explanatory notes presents fairly, in all material respects, (or "gives a true and fair view of") the accounts receivable of ABC Company as of 30 June 20XX in accordance with Australian Accounting Standards that are relevant to the preparation and fair presentation of the schedule of accounts receivable.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

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EXAMPLE 5: COMPLIANCE WITH A CONTRACTUAL AGREEMENT

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report

We have audited [name of entity]'s compliance with the accounting and financial reporting matters of section xx to xx inclusive of the Indenture dated [insert date] with DEF Bank as at 30 June 20XX.

The [Responsibility of Those Charged with Governance]¹⁰ for Compliance

[Those charged with governance] are responsible for ensuring compliance with the accounting and financial reporting matters of section xx to xx inclusive of the indenture. This responsibility includes [include description of the responsibility of those charged with governance].

Auditor's Responsibility

Our responsibility is to express an opinion on whether [name of entity] has complied with the relevant sections of the Indenture. 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 [name of entity] has complied with the relevant sections of the Indenture.

An audit involves [include description of audit procedures].

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 entity was, in all material respects, in compliance with the accounting and financial reporting matters of the sections of the Indenture referred to in the preceding paragraphs as at 30 June 20XX.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

¹⁰ Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

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EXAMPLE 6: SUMMARISED FINANCIAL REPORT

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Report

We have audited the accompanying summarised financial report of [name of entity], comprising the summary balance sheet as at 30 June 20XX, the summary income statement, statement of changes in equity and cash flow statement for the year then ended, and related notes, which was derived from the financial report of [name of entity] for the year ended 30 June 20XX. We expressed an unmodified auditor's opinion on that financial report in our auditor's report dated [insert date].

The Responsibility of [Those Charged with Governance]¹¹ for the Summarised Financial Report

[Those charged with governance] are responsible for the preparation and presentation of the summarised financial report in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on the summarised financial report based on our procedures, which were conducted in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements.

Auditor's Opinion

In our opinion, the information reported in the summarised financial report is consistent, in all material respects, with the financial report from which it was derived. For a better understanding of the scope of our audit, this auditor's report should be read in conjunction with our audit report on the financial report.

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

¹¹ Insert title of those charged with governance – e.g. directors/trustees/committees. Insert appropriate title, when prompted, throughout the report.

APPENDIX 2

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

- 1 The purpose of this Appendix is to provide explanatory guidance on the effect of the reporting entity concept on auditor's reports prepared under the *Corporations Act 2001* (the "Act") for entities reporting under the Act that are not reporting entities (that is, non reporting entities).¹²
- 2 The determination as to whether an entity is a reporting entity rests with those charged with governance of the entity. Guidance as to what constitutes a reporting entity is contained in Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity* issued by the Australian Accounting Standards Board ("AASB"). A further definition is contained in Australian Accounting Standard AASB 3 *Business Combinations* as:
- "An entity in respect of which it is reasonable to expect the existence of users who rely on the entity's general purpose financial report for information that will be useful to them for making and evaluating decision about the allocation of resources".
- 3 The determination as to whether an entity is a reporting or non-reporting entity is important, as this decision directly impacts on the level of disclosure in the entity's financial report. Non-reporting entities are not required to prepare general purpose financial reports and are instead permitted to prepare a special purpose financial report for the purpose of fulfilling the directors' financial reporting requirements of the *Corporations Act 2001*.

Financial Reporting Requirements of the Act

Requirement for an entity to prepare a Financial Report

- 4 Section 292 of the Act requires that a financial report and a directors' report must be prepared for each financial year by:
- (a) all disclosing entities; and
 - (b) all public companies; and

¹² This summary is not intended to contain an exhaustive summary of all the auditor's reporting responsibilities under the *Corporations Act 2001*.

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- (c) all large proprietary companies; and
- (d) all registered schemes.

5 Section 293 of the Act provides that shareholders with at least 5% of the votes in a small proprietary company may give the company a direction to:

- (a) prepare a financial report and directors' report for a financial year; and
- (b) send them to all shareholders.

In addition, under section 294, the Australian Securities and Investments Commission (ASIC) may give a small proprietary company a direction to comply with requirements of Division 1 3, 4, 5 and 6 of the Act for a financial year.

Contents of a Special Purpose Financial Report

6 Section 295 of the Act specifies that the financial report for a financial year consists of:

- (a) the financial statements for the year; and
- (b) the notes to the financial statements; and
- (c) the directors' declaration about the statements and notes.

Compliance with Accounting Standards for Non-Reporting Entities

7 Each Accounting Standard indicates its applicability to reporting entities. Certain Accounting Standards apply to all entities, irrespective of whether or not they are reporting entities.

Audit Reporting Responsibilities of the Act

8 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

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- (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;
 - (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.
- 9 Section 308 and 309 of the Act specify the specific matters on which the auditor is required to report to members.
- 10 In the case of a special purpose financial report prepared by a non-reporting entity, the auditor's reporting responsibilities can be met by reporting whether the financial report is '.....true and fair in accordance with (an identified financial reporting framework).'
- 11 When an auditor disagrees with the directors' determination that an entity is a non-reporting entity, under ASA 701, the auditor needs to issue a modified auditor's report as this would be a breach of the requirement for the entity's financial report to comply with the Accounting Standards.

ASIC Guide – Reporting Requirements for Non-Reporting Entities

- 12 In July 2005, ASIC issued a Guide on the *Requirements for Non-Reporting Entities*, which replaces Information Release [IR 00/025] *Reporting requirements for non-reporting entities*. This guide provides guidance on application of the reporting entity tests and the reporting obligations for non-reporting entities.
- 13 This Guide *inter-alia* advocates adoption of the recognition and measurement requirements of Accounting Standards for non-reporting entities required to prepare financial reports under the *Corporations Act 2001*.

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Other Requirements – Professional Accounting Bodies

- 14 In addition to the requirements outlined above, the professional accounting bodies in Australia may also prescribe certain audit reporting requirements relating to special purpose financial reports not mandated by this Auditing Standard.

SUPERSEDED

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*EXAMPLE OF AN AUDITOR'S REPORT ON A SPECIAL PURPOSE FINANCIAL REPORT
PREPARED IN ACCORDANCE WITH THE CORPORATIONS ACT 2001
(NON-REPORTING ENTITY)*

INDEPENDENT AUDITOR'S REPORT

To the members of [name of entity]

Report on the Financial Report

We have audited the accompanying financial report, being a special purpose 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, other explanatory notes and the directors' declaration.¹³

Directors' Responsibility for the Financial Report

The directors of the [entity]¹⁴ are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. The directors' responsibility also 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. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. 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

¹³ 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.

¹⁴ Insert entity type e.g. 'company.'

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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.¹⁵ 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.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting under the *Corporations Act 2001*. We disclaim any assumption of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

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

Independence

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 company/registered scheme/disclosing entity] on [date], would be in the same terms if provided to the directors as at the date of this auditor's report.¹⁶

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 [entity]'s¹⁷ financial position as at 30 June 20XX and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1; and

¹⁵ 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".

¹⁶ 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 audit report was made.

¹⁷ State entity type e.g. 'company.'

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- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the *Corporations Regulations 2001*.

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]¹⁸

[Date of the auditor's report]

[Auditor's address]

¹⁸ Section 324 of the *Corporations Act 2001* contains specific provisions in relation to signing the auditor's report.