

EXPOSURE DRAFT

ED 01/15

(April 2015)

Proposed Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report*

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

Draft

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Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 26 June 2015. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 01/15

The AUASB issues exposure draft ED 01/15 of proposed Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 700 *Forming an Opinion and Reporting on Financial Statements* (January 2015) and will replace the current ASA 700 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 700, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ending on or after 15 December 2016.

Main changes from existing ASA 700 *Forming an Opinion and Reporting on a Financial Report* (October 2009)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 700 *Forming an Opinion and Reporting on a Financial Report* (October 2009, as amended), are included in the Tables of Differences provided as an attachment to this Exposure Draft.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 700 *Forming an Opinion and Reporting on a Financial Report* by no later than 26 June 2015. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
3. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

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4. Are there any other significant public interest matters that constituents wish to raise?
5. Is there support for permitting the auditor to choose whether to locate the auditor's responsibilities section in either the body of the auditor's report or in an accompanying appendix to the auditor's report?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* 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 ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 700 *Forming an Opinion and Reporting on Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

The following application and other explanatory material is additional to ISA 700:

Appendix Two illustrative example auditor’s reports (in respect of a single company and a group) that conform with the requirements of the *Corporations Act 2001*.

This Auditing Standard incorporates terminology and definitions used in Australia.

The equivalent requirements and related application and other explanatory material included in ISA 700 in respect of “relevant ethical requirements”, have been included in Auditing Standard, ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. There is no international equivalent to ASA 102.

Compliance with this Auditing Standard enables compliance with ISA 700.

AUDITING STANDARD ASA 700

Forming an Opinion and Reporting on a Financial Report

Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods ending on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. This Auditing Standard deals with the auditor's responsibility to form an opinion on the financial report. It also deals with the form and content of the auditor's report issued as a result of an audit of a financial report.
2. ASA 701¹ deals with the auditor's responsibility to communicate key audit matters in the auditor's report. ASA 705² and ASA 706³ deal with how the form and content of the auditor's report are affected when the auditor expresses a modified opinion or includes an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report. Other Auditing Standards also contain reporting requirements that are applicable when issuing an auditor's report.
3. This Auditing Standard applies to an audit of a general purpose financial report and is written in that context. ASA 800⁴ deals with special considerations when a financial report is prepared in accordance with a special purpose framework. ASA 805⁵ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement. This Auditing Standard also applies to audits for which ASA 800 or ASA 805 apply.
4. The requirements of this Auditing Standard are aimed at addressing an appropriate balance between the need for consistency and comparability in auditor reporting globally and the need to increase the value of auditor reporting by making the information provided in the auditor's report more relevant to users. This Auditing Standard promotes consistency in the auditor's report, but recognises the need for flexibility to accommodate particular circumstances of individual jurisdictions. Consistency in the auditor's report, when the audit has been conducted in accordance with Auditing Standards, promotes credibility in the global

¹ See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

² See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

³ See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

⁴ See ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*.

⁵ See ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

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

Effective Date

5. [Deleted by the AUASB. Refer Aus 0.3]

Objectives

6. The objectives of the auditor are:
- (a) To form an opinion on the financial report based on an evaluation of the conclusions drawn from the audit evidence obtained; and
 - (b) To express clearly that opinion through a written report.

Definitions

7. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:

- (a) General purpose financial report – a financial report prepared in accordance with a general purpose framework.
- (b) General purpose framework – A financial reporting framework designed to meet the common financial information needs of a wide range of users. The financial reporting framework may be a fair presentation framework or a compliance framework.

The term “fair presentation framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework and:

- (i) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial report, it may be necessary for management to provide disclosures beyond those specifically required by the framework; or
- (ii) Acknowledges explicitly that it may be necessary for management to depart from a requirement of the framework to achieve fair presentation of the financial report. Such departures are expected to be necessary only in extremely rare circumstances.

The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework, but does not contain the acknowledgements in (i) or (ii) above.⁶

- (c) Unmodified opinion – The opinion expressed by the auditor when the auditor concludes that the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework.⁷

8. [Deleted by the AUASB. Refer Aus 8.1 and Aus 8.2]

Aus 8.1 Financial Report means, for the purpose of the *Corporations Act 2001*,* financial statements for the year or the half-year and notes to the financial statements, and the directors' declaration about the statements and notes.

⁶ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 13(a).

⁷ See paragraphs 25–26 deal which with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

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Aus 8.2 Financial Report means, for purposes other than the *Corporations Act 2001*, a complete set of financial statements, including the related notes, and an assertion statement by those responsible for the financial report. The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the form and content of the financial report.

9. [Deleted by the AUASB. Refer Aus 9.1]

Aus 9.1 Reference to “Australian Accounting Standards” in this Auditing Standard means the Australian Accounting Standards issued by the Australian Accounting Standards Board, and reference to “International Financial Reporting Standards” (IFRSs), means the International Financial Reporting Standards issued by the International Accounting Standards Board.

Requirements

Forming an Opinion on the Financial Report

10. The auditor shall form an opinion on whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework.^{8,9}
11. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error. That conclusion shall take into account:
 - (a) The auditor’s conclusion, in accordance with ASA 330, whether sufficient appropriate audit evidence has been obtained;¹⁰
 - (b) The auditor’s conclusion, in accordance with ASA 450, whether uncorrected misstatements are material, individually or in aggregate;¹¹ and
 - (c) The evaluations required by paragraphs 12–15 of this Auditing Standard.
12. The auditor shall evaluate whether the financial report is prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity’s accounting practices, including indicators of possible bias in management’s judgements. (Ref: Para. A1–A3)
13. In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework:
 - (a) The financial report adequately discloses the significant accounting policies selected and applied;
 - (b) The accounting policies selected and applied are consistent with the applicable financial reporting framework and are appropriate;
 - (c) The accounting estimates made by management are reasonable;
 - (d) The information presented in the financial report is relevant, reliable, comparable, and understandable;

^{*} See sections 295 and 303 of the *Corporations Act 2001*.

⁸ See ASA 200, paragraph 11.

⁹ See paragraphs 25–26 which deal with the phrases used to express this opinion in the case of a fair presentation framework and a compliance framework respectively.

¹⁰ See ASA 330 *The Auditor’s Responses to Assessed Risks*, paragraph 26.

¹¹ See ASA 450 *Evaluation of Misstatements Identified during the Audit*, paragraph 11.

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- (e) The financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report; and (Ref: Para. A4)
 - (f) The terminology used in the financial report, including the title of each financial statement, is appropriate.
14. When the financial report is prepared in accordance with a fair presentation framework, the evaluation required by paragraphs 12–13 of this Auditing Standard shall also include whether the financial report achieves fair presentation. The auditor’s evaluation as to whether the financial report achieves fair presentation shall include consideration of:
- (a) The overall presentation, structure and content of the financial report; and
 - (b) Whether the financial report, including the related notes, represents the underlying transactions and events in a manner that achieves fair presentation.
15. The auditor shall evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework. (Ref: Para. A5–A10)

Form of Opinion

16. The auditor shall express an unmodified opinion when the auditor concludes that the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework.
17. If the auditor:
- (a) concludes that, based on the audit evidence obtained, the financial report as a whole is not free from material misstatement; or
 - (b) is unable to obtain sufficient appropriate audit evidence to conclude that the financial report as a whole is free from material misstatement,
- the auditor shall modify the opinion in the auditor’s report in accordance with ASA 705.
18. If the financial report prepared in accordance with the requirements of a fair presentation framework does not achieve fair presentation, the auditor shall discuss the matter with management and, depending on the requirements of the applicable financial reporting framework and how the matter is resolved, shall determine whether it is necessary to modify the opinion in the auditor’s report in accordance with ASA 705. (Ref: Para. A11)
19. When the financial report is prepared in accordance with a compliance framework, the auditor is not required to evaluate whether the financial report achieves fair presentation. However, if in extremely rare circumstances the auditor concludes that such a financial report is misleading, the auditor shall discuss the matter with management and, depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor’s report. (Ref: Para. A12)

Auditor’s Report

20. The auditor’s report shall be in writing. (Ref: Para. A13–A14)

Auditor’s Report for Audits Conducted in Accordance with Australian Auditing Standards

Title

21. The auditor’s report shall have a title that clearly indicates that it is the report of an independent auditor. (Ref: Para. A15)

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Addressee

22. The auditor's report shall be addressed, as appropriate, based on the circumstances of the engagement. (Ref: Para. A16)

Auditor's Opinion

23. The first section of the auditor's report shall include the auditor's opinion, and shall have the heading "Opinion."
24. The Opinion section of the auditor's report shall also:
- (a) Identify the entity whose financial report has been audited;
 - (b) State that the financial report has been audited;
 - (c) Identify the title of each statement comprising the financial report;
 - (d) Refer to the notes, including the summary of significant accounting policies; and
 - (e) Specify the date of, or period covered by, each financial statement comprising the financial report. (Ref: Para. A17–A18)
25. When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases, which are regarded as being equivalent:
- (a) In our opinion, the accompanying financial report presents fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]; or
 - (b) In our opinion, the accompanying financial report gives a true and fair view of [...] in accordance with [the applicable financial reporting framework]. (Ref: Para. A19–A26)
26. When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion shall be that the accompanying financial report are prepared, in all material respects, in accordance with [the applicable financial reporting framework]. (Ref: Para. A21–A26)
27. If the reference to the applicable financial reporting framework in the auditor's opinion is not to the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board or International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board, the auditor's opinion shall identify the jurisdiction of origin of the framework.

Basis for Opinion

28. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that: (Ref: Para. A27)
- (a) States that the audit was conducted in accordance with Australian Auditing Standards; (Ref: Para. A28)
 - (b) Refers to the section of the auditor's report that describes the auditor's responsibilities under the Australian Auditing Standards;
 - (c) [Deleted by the AUASB. Refer Aus 28(c)]
- Aus 28(c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

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The statement shall identify the relevant ethical requirements applicable within Australia; and (Ref: Para. A29–A34)

- (d) States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor’s opinion.

Going Concern

29. Where applicable, the auditor shall report in accordance with ASA 570.¹²

Key Audit Matters

30. For audits of financial reports of listed entities, the auditor shall communicate key audit matters in the auditor’s report in accordance with ASA 701.
31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor’s report, the auditor shall do so in accordance with ASA 701. (Ref: Para. A35–A38)

Responsibilities for the Financial Report

32. The auditor’s report shall include a section with a heading “Responsibilities of Management for the Financial Report.” The auditor’s report shall use the term that is appropriate in the context of the legal framework in the particular jurisdiction and need not refer specifically to “management”. In some jurisdictions, the appropriate reference may be to those charged with governance. (Ref: Para. A39)
33. This section of the auditor’s report shall describe management’s responsibility for: (Ref: Para. A40–A43)
- (a) Preparing the financial report in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error; and
- (b) Assessing the entity’s ability to continue as a going concern¹³ and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management’s responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate. (Ref: Para. A43)
34. This section of the auditor’s report shall also identify those responsible for the oversight of the financial reporting process, when those responsible for such oversight are different from those who fulfill the responsibilities described in paragraph 33 above. In this case, the heading of this section shall also refer to “Those Charged with Governance” or such term that is appropriate in the context of the legal framework in the particular jurisdiction. (Ref: Para. A44)
35. When the financial report is prepared in accordance with a fair presentation framework, the description of responsibilities for the financial report in the auditor’s report shall refer to “the preparation and fair presentation of this financial report” or “the preparation of the financial report that gives a true and fair view,” as appropriate in the circumstances.

Auditor’s Responsibilities for the Audit of the Financial Report

36. The auditor’s report shall include a section with the heading “Auditor’s Responsibilities for the Audit of the Financial Report.”

¹² See ASA 570 *Going Concern*, paragraphs 21–23.

¹³ See ASA 570, paragraph 2.

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37. This section of the auditor's report shall: (Ref: Para. A45)
- (a) State that the objectives of the auditor are to:
 - (i) Obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error; and
 - (ii) Issue an auditor's report that includes the auditor's opinion. (Ref: Para. A46)
 - (b) State that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists; and
 - (c) State that misstatements can arise from fraud or error, and either:
 - (i) Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report; or¹⁴
 - (ii) Provide a definition or description of materiality in accordance with the applicable financial reporting framework. (Ref: Para. A47)
38. The Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report shall further: (Ref: Para. A45)
- (a) State that, as part of an audit in accordance with Australian Auditing Standards, the auditor exercises professional judgement and maintains professional scepticism throughout the audit.
 - (b) Describe an audit by stating that the auditor's responsibilities are:
 - (i) To identify and assess the risks of material misstatement of the financial report, whether due to fraud or error; to design and perform audit procedures responsive to those risks; and to obtain audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
 - (ii) To obtain an understanding of internal control relevant to the audit 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 the entity's internal control;
 - (iii) To evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
 - (iv) To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If the

¹⁴ See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

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auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern; and

- (v) When the financial report is prepared in accordance with a fair presentation framework, to evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
 - (c) When ASA 600¹⁵ applies, further describe the auditor's responsibilities in a group audit engagement by stating that:
 - (i) The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the group financial report;
 - (ii) The auditor is responsible for the direction, supervision and performance of the group audit; and
 - (iii) The auditor remains solely responsible for the auditor's opinion.
39. The Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report also shall: (Ref: Para. A45)
- (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
 - (b) For audits of the financial report of listed entities, state that the auditor provides those charged with governance with a statement that the auditor has complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards; and
 - (c) For audits of the financial report of listed entities and any other entities for which key audit matters are communicated in accordance with ASA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A48)

Location of the description of the auditor's responsibilities for the audit of the financial report

40. The description of the auditor's responsibilities for the audit of the financial report required by paragraphs 38–39 of this Auditing Standard shall be included: (Ref: Para. A49)
- (a) Within the body of the auditor's report;

¹⁵ See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

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- (b) Within an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix; or (Ref: Para. A49–A50)
 - (c) By a specific reference within the auditor's report to the location of such a description on a website of an appropriate authority, where law, regulation or Australian Auditing Standards expressly permit the auditor to do so. (Ref: Para. A49, A51–A52)
41. When the auditor refers to a description of the auditor's responsibilities on a website of an appropriate authority, the auditor shall determine that such description addresses, and is not inconsistent with, the requirements in paragraphs 38–39 of this Auditing Standard. (Ref: Para. A51)

Other Reporting Responsibilities

42. If the auditor addresses other reporting responsibilities in the auditor's report on the financial report that are in addition to the auditor's responsibilities under the Australian Auditing Standards, these other reporting responsibilities shall be addressed in a separate section in the auditor's report with a heading titled "Report on Other Legal and Regulatory Requirements" or otherwise as appropriate to the content of the section, unless these other reporting responsibilities address the same topics as those presented under the reporting responsibilities required by the Australian Auditing Standards in which case the other reporting responsibilities may be presented in the same section as the related report elements required by the Australian Auditing Standards. (Ref: Para. A53–A55)
43. If other reporting responsibilities are presented in the same section as the related report elements required by the Australian Auditing Standards, the auditor's report shall clearly differentiate the other reporting responsibilities from the reporting that is required by the Australian Auditing Standards. (Ref: Para. A55)
44. If the auditor's report contains a separate section that addresses other reporting responsibilities, the requirements of paragraphs 20–39 of this Auditing Standard shall be included under a section with a heading "Report on the Audit of the Financial Report." The "Report on Other Legal and Regulatory Requirements" shall follow the "Report on the Audit of the Financial Report." (Ref: Para. A55)

Name of the Engagement Partner

45. The name of the engagement partner shall be included in the auditor's report for audits of financial reports of listed entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A56–A58)

Signature of the Auditor

46. The auditor's report shall be signed. (Ref: Para. A59–A60)

Auditor's Address

47. The auditor's report shall name the location in the jurisdiction where the auditor practices.

Date of the Auditor's Report

48. The auditor's report shall be dated no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial report, including evidence that: (Ref: Para. A61–A64)

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- (a) All the statements that comprises the financial report, including the related notes, have been prepared; and
- (b) Those with the recognised authority have asserted that they have taken responsibility for the financial report.

Auditor's Report Prescribed by Law or Regulation

49. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to Australian Auditing Standards only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A65–A66)

- (a) A title.
 - (b) An addressee, as required by the circumstances of the engagement.
 - (c) An Opinion section containing an expression of opinion on the financial report and a reference to the applicable financial reporting framework used to prepare the financial report (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 26 of this Auditing Standard).
 - (d) An identification of the entity's financial report that has been audited.
 - (e) [Deleted by the AUASB. Refer Aus 49(e)]
- Aus 49(e) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical requirements in accordance with these requirements. The statement shall identify the relevant ethical requirements applicable within Australia.
- (f) Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements in paragraph 22 of ASA 570.
 - (g) Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph 23 of ASA 570.
 - (h) Where applicable, a section that includes the information required by ASA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that Auditing Standard.¹⁶ (Ref: Para. A67–A70)
 - (i) A description of management's responsibilities for the preparation of the financial report and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements in paragraphs 32–35 of this Auditing Standard.
 - (j) A reference to Australian Auditing Standards and the law or regulation, and a description of the auditor's responsibilities for an audit of the financial report that addresses, and is not inconsistent with, the requirements in paragraphs 36–39 of this Auditing Standard. (Ref: Para. A49–A50)
 - (k) For audits of the financial reports of listed entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.

¹⁶ See ASA 701, paragraphs 11–16.

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- (l) The auditor's signature.
- (m) The auditor's address.
- (n) The date of the auditor's report.

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and Australian Auditing Standards

50. An auditor may be required to conduct an audit in accordance with the auditing standards of a specific jurisdiction (the "other auditing standards"), but may additionally comply with the Australian Auditing Standards in the conduct of the audit. If this is the case, the auditor's report may refer to Australian Auditing Standards in addition to the other auditing standards, but the auditor shall do so only if: (Ref: Para. A71–A72)
- (a) There is no conflict between the requirements in the other auditing standards and those in the Australian Auditing Standards that would lead the auditor (i) to form a different opinion, or (ii) not to include an Emphasis of Matter paragraph or Other Matter paragraph that, in the particular circumstances, is required by the Australian Auditing Standards; and
 - (b) The auditor's report includes, at a minimum, each of the elements set out in paragraphs 49(a)–(n) above when the auditor uses the layout or wording specified by the other auditing standards. However, reference to "law or regulation" in paragraph 49(j) of this Auditing Standard shall be read as reference to the other auditing standards. The auditor's report shall thereby identify such other auditing standards.
51. When the auditor's report refers to both the other auditing standards and Australian Auditing Standards, the auditor's report shall identify the jurisdiction of origin of the other auditing standards.

Supplementary Information Presented with the Financial Report (Ref: Para. A73–A79)

52. If supplementary information that is not required by the applicable financial reporting framework is presented with the audited financial report, the auditor shall evaluate whether, in the auditor's professional judgement, supplementary information is nevertheless an integral part of the financial report due to its nature or how it is presented. When it is an integral part of the financial report, the supplementary information shall be covered by the auditor's opinion.
53. If supplementary information that is not required by the applicable financial reporting framework is not considered an integral part of the audited financial report, the auditor shall evaluate whether such supplementary information is presented in a way that sufficiently and clearly differentiates it from the audited financial report. If this is not the case, then the auditor shall ask management to change how the unaudited supplementary information is presented. If management refuses to do so, the auditor shall identify the unaudited supplementary information and explain in the auditor's report that such supplementary information has not been audited.

* * *

Application and Other Explanatory Material

Qualitative Aspects of the Entity's Accounting Practices (Ref: Para. 12)

- A1. Management makes a number of judgements about the amounts and disclosures in the financial report.
- A2. ASA 260 contains a discussion of the qualitative aspects of accounting practices.¹⁷ In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgements. The auditor may conclude that the cumulative effect of a lack of neutrality, together with the effect of uncorrected misstatements, causes the financial report as a whole to be materially misstated. Indicators of a lack of neutrality that may affect the auditor's evaluation of whether the financial report as a whole is materially misstated include the following:
- The selective correction of misstatements brought to management's attention during the audit (e.g., correcting misstatements with the effect of increasing reported earnings, but not correcting misstatements that have the effect of decreasing reported earnings).
 - Possible management bias in the making of accounting estimates.
- A3. ASA 540 addresses possible management bias in making accounting estimates.¹⁸ Indicators of possible management bias do not constitute misstatements for purposes of drawing conclusions on the reasonableness of individual accounting estimates. They may, however, affect the auditor's evaluation of whether the financial report as a whole is free from material misstatement.

Disclosures of the Effect of Material Transactions and Events on the Information Conveyed in the Financial Report (Ref: Para. 13(e))

- A4. It is common for a financial report prepared in accordance with a general purpose framework to present an entity's financial position, financial performance and cash flows. In such circumstances, the auditor evaluates whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the entity's financial position, financial performance and cash flows.

Description of the Applicable Financial Reporting Framework (Ref: Para. 15)

- A5. As explained in ASA 200, the preparation of the financial report by management and, where appropriate, those charged with governance requires the inclusion of an adequate description of the applicable financial reporting framework in the financial report.¹⁹ That description advises users of the financial report of the framework on which the financial report is based.
- A6. A description that the financial report is prepared in accordance with a particular applicable financial reporting framework is appropriate only if the financial report complies with all the requirements of that framework that are effective during the period covered by the financial report.
- A7. A description of the applicable financial reporting framework that contains imprecise qualifying or limiting language (e.g., "the financial report is in substantial compliance with Australian Accounting Standards") is not an adequate description of that framework as it may mislead users of the financial report.

¹⁷ See ASA 260 *Communication with Those Charged with Governance*, Appendix 2.

¹⁸ See ASA 540 *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*, paragraph 21.

¹⁹ See ASA 200, paragraphs A2–A3.

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Reference to More than One Financial Reporting Framework

- A8. In some cases, the financial report may represent that it is prepared in accordance with two financial reporting frameworks (e.g., the Australian Accounting Standards and IFRSs). This may be because management is required, or has chosen, to prepare the financial report in accordance with both frameworks, in which case both are applicable financial reporting frameworks. Such description is appropriate only if the financial report complies with each of the frameworks individually. To be regarded as being prepared in accordance with both frameworks, the financial report needs to comply with both frameworks simultaneously and without any need for reconciling statements. In practice, simultaneous compliance is unlikely unless the jurisdiction has adopted the other framework (e.g., IFRSs) as its own national framework, or has eliminated all barriers to compliance with it.
- A9. A financial report that is prepared in accordance with one financial reporting framework and that contains a note or supplementary statement reconciling the results to those that would be shown under another framework is not prepared in accordance with that other framework. This is because the financial report does not include all the information in the manner required by that other framework.
- A10. The financial report may, however, be prepared in accordance with one applicable financial reporting framework and, in addition, describe in the notes to the financial report the extent to which the financial report complies with another framework (e.g., a financial report prepared in accordance with Australian Accounting Standards that also describes the extent to which it complies with IFRSs). Such description may constitute supplementary financial information as discussed in paragraph 53 and is covered by the auditor's opinion if it cannot be clearly differentiated from the financial report.

Form of Opinion (Ref: Para. 18–19)

- A11. There may be cases where the financial report, although prepared in accordance with the requirements of a fair presentation framework, does not achieve fair presentation. Where this is the case, it may be possible for management to include additional disclosures in the financial report beyond those specifically required by the framework or, in extremely rare circumstances, to depart from a requirement in the framework in order to achieve fair presentation of the financial report.
- A12. It will be extremely rare for the auditor to consider a financial report that is prepared in accordance with a compliance framework to be misleading if, in accordance with ASA 210, the auditor determined that the framework is acceptable.²⁰

Auditor's Report (Ref: Para. 20)

- A13. A written report encompasses reports issued in hard copy and those using an electronic medium.
- A14. The Appendix to this Auditing Standard contains illustrations of auditor's reports on a financial report, incorporating the elements set out in paragraphs 20–48. With the exception of the Opinion and Basis for Opinion sections, this Auditing Standard does not establish requirements for ordering the elements of the auditor's report. However, this Auditing Standard requires the use of specific headings, which are intended to assist in making auditor's reports that refer to audits that have been conducted in accordance with Australian Auditing Standards more recognisable, particularly in situations where the elements of the auditor's report are presented in an order that differs from the illustrative auditor's reports in the Appendix to this Auditing Standard.

²⁰ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

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Auditor's Report for Audits Conducted in Accordance with Australian Auditing Standards

Title (Ref: Para. 21)

- A15. A title indicating the report is the report of an independent auditor, for example, "Independent Auditor's Report," distinguishes the independent auditor's report from reports issued by others.

Addressee (Ref: Para. 22)

- A16. Law, regulation or the terms of the engagement may specify to whom the auditor's report is to be addressed in that particular jurisdiction. The auditor's report is normally 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.

Auditor's Opinion (Ref: Para. 24–26)

Reference to the financial report that has been audited

- A17. The auditor's report states, for example, that the auditor has audited the financial report of the entity, which comprises [state the title of each financial statement and assertion statement comprising the financial report required by the applicable financial reporting framework, specifying the date or period covered by each financial statement and assertion statement] and notes to the financial statements, including a summary of significant accounting policies.
- A18. When the auditor is aware that the audited 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 audited financial report is presented. This helps users to identify the financial report to which the auditor's report relates.

"Present fairly, in all material respects" or "give a true and fair view"

- A19. The phrases "present fairly, in all material respects," and "give a true and fair view" are regarded as being equivalent. Whether the phrase "present fairly, in all material respects," or the phrase "give a true and fair view" is used in any particular jurisdiction is determined by the law or regulation governing the audit of a financial report in that jurisdiction, or by generally accepted practice in that jurisdiction. Where law or regulation requires the use of different wording, this does not affect the requirement in paragraph 14 of this Auditing Standard for the auditor to evaluate the fair presentation of the financial report prepared in accordance with a fair presentation framework.
- A20. When the auditor expresses an unmodified opinion, it is not appropriate to use phrases such as "with the foregoing explanation" or "subject to" in relation to the opinion, as these suggest a conditional opinion or a weakening or modification of opinion.

Description of the financial report and the matters it presents

- A21. The auditor's opinion covers the financial report as defined by the applicable financial reporting framework. For example, in the case of many general purpose frameworks, the financial report may include: a statement of financial position, a statement of comprehensive income, a statement of changes in equity, a statement of cash flows, and related notes, which ordinarily comprise a summary of significant accounting policies and other explanatory information. In some jurisdictions, additional information may also be considered to be an integral part of the financial report.
- A22. In the case of a financial report prepared in accordance with a fair presentation framework, the auditor's opinion states that the financial report presents fairly, in all material respects, or give a true and fair view of, the matters that the financial report are designed to present. For

example, in the case of a financial report prepared in accordance with IFRSs, these matters are 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. Consequently, the [...] in paragraph 25 and elsewhere in this Auditing Standard is intended to be replaced by the words in italics in the preceding sentence when the applicable financial reporting framework is IFRSs or, in the case of other applicable financial reporting frameworks, be replaced with words that describe the matters that the financial report is designed to present.

Description of the applicable financial reporting framework and how it may affect the auditor's opinion

A23. The identification of the applicable financial reporting framework in the auditor's opinion is intended to advise users of the auditor's report of the context in which the auditor's opinion is expressed; it is not intended to limit the evaluation required in paragraph 14. The applicable financial reporting framework is identified in such terms as:

“... in accordance with Australian Accounting Standards” or

“... in accordance with accounting principles generally accepted in Jurisdiction X ...”

A24. When the applicable financial reporting framework encompasses financial reporting standards and legal or regulatory requirements, the framework is identified in such terms as “... in accordance with Australian Accounting Standards and the requirements of the *Corporations Act 2001*.” ASA 210 deals with circumstances where there are conflicts between the financial reporting standards and the legislative or regulatory requirements.²¹

A25. As indicated in paragraph A8, the financial report may be prepared in accordance with two financial reporting frameworks, which are therefore both applicable financial reporting frameworks. Accordingly, each framework is considered separately when forming the auditor's opinion on the financial report, and the auditor's opinion in accordance with paragraphs 25–27 refers to both frameworks as follows:

(a) If the financial report complies with each of the frameworks individually, two opinions are expressed: that is, that the financial report is prepared in accordance with one of the applicable financial reporting frameworks (e.g., the Australian Accounting Standards) and an opinion that the financial report is prepared in accordance with the other applicable financial reporting framework. These opinions may be expressed separately or in a single sentence (e.g., the financial report is presented fairly, in all material respects [...], in accordance with Australian Accounting Standards and with the other applicable financial reporting framework).

(b) If the financial report complies with one of the frameworks but fails to comply with the other framework, an unmodified opinion can be given that the financial report is prepared in accordance with the one framework (e.g., the Australian Accounting Standards) but a modified opinion given with regard to the other framework in accordance with ASA 705).

A26. As indicated in paragraph A10, the financial report may represent compliance with the applicable financial reporting framework and, in addition, disclose the extent of compliance with another financial reporting framework. Such supplementary information is covered by the auditor's opinion if it cannot be clearly differentiated from the financial report (see paragraphs 52–53 and related application material in paragraphs A73–A79). Accordingly,

(a) If the disclosure as to the compliance with the other framework is misleading, a modified opinion is expressed in accordance with ASA 705.

²¹ See ASA 210, paragraph 18.

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- (b) If the disclosure is not misleading, but the auditor judges it to be of such importance that it is fundamental to the users' understanding of the financial report, an Emphasis of Matter paragraph is added in accordance with ASA 706, drawing attention to the disclosure.

Basis for Opinion (Ref: Para. 28)

- A27. The Basis for Opinion section provides important context about the auditor's opinion. Accordingly, this Auditing Standard requires the Basis for Opinion section to directly follow the Opinion section in the auditor's report.
- A28. The reference to the standards used conveys to the users of the auditor's report that the audit has been conducted in accordance with established standards.

Relevant ethical requirements

A29. [Deleted by the AUASB. Refer Aus A29.1]²²

Aus A29.1 The identification of the relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ASA 200 explains that the auditor is subject to the relevant ethical requirements as described in ASA 102.*

- A30. In some jurisdictions, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable in the jurisdiction), or may refer to a term that is commonly understood and that appropriately summarises those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).
- A31. Law or regulation, Australian Auditing Standards or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those pertaining to independence, that applied to the audit of the financial report.
- A32. In determining the appropriate amount of information to include in the auditor's report when there are multiple sources of relevant ethical requirements relating to the audit of the financial report, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor's report.

Considerations specific to group audits

- A33. In group audits when there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor's report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group engagement team. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.²³
- A34. The Australian Auditing Standards do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the relevant ethical requirements or other ethical requirements to which the group engagement team is subject, nor do the Australian Auditing Standards require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group engagement team. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit

²² [Deleted by the AUASB. Refer footnote * following]

* See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

²³ See ASA 600, paragraph A37.

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situation may be complex. ASA 600²⁴ provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

Key Audit Matters (Ref: Para. 30-31)

- A35. Law or regulation may require communication of key audit matters for audits of entities other than listed entities, for example, entities characterised in such law or regulation as public interest entities.
- A36. The auditor may also decide to communicate key audit matters for other entities, including those that may be of significant public interest, for example because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies, and superannuation funds), and other entities such as charities.
- A37. ASA 210 requires the auditor to agree the terms of the audit engagement with management and those charged with governance, as appropriate, and explains that the roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance arrangements of the entity and relevant law or regulation.²⁵ ASA 210 also requires the audit engagement letter or other suitable form of written agreement to include reference to the expected form and content of any reports to be issued by the auditor.²⁶ When the auditor is not otherwise required to communicate key audit matters, ASA 210²⁷ explains that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

Considerations specific to public sector entities

- A38. Listed entities are not common in the public sector. However, public sector entities may be significant due to size, complexity or public interest aspects. In such cases, an auditor of a public sector entity may be required by law or regulation or may otherwise decide to communicate key audit matters in the auditor's report.

Responsibilities for the Financial Report (Ref: Para. 32–33)

- A39. ASA 200 explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with Australian Auditing Standards is conducted.²⁸ Management and, where appropriate, those charged with governance accept responsibility for the preparation of the financial report in accordance with the applicable financial reporting framework, including, where relevant, their fair presentation. Management also accepts responsibility for such internal control as it determines is necessary to enable the preparation of financial report that is free from material misstatement, whether due to fraud or error. The description of management's responsibilities in the auditor's report includes reference to both responsibilities as it helps to explain to users the premise on which an audit is conducted. ASA 260 uses the term those charged with governance to describe the person(s) or organisation(s) with responsibility for overseeing the entity, and provides a discussion about the diversity of governance structures across jurisdictions and by entity.
- A40. There may be circumstances when it is appropriate for the auditor to add to the descriptions of the responsibilities of management and those charged with governance in paragraphs 33–34 to

²⁴ See ASA 600, paragraphs 19–20.

²⁵ See ASA 210, paragraphs 9 and A21.

²⁶ See ASA 210, paragraph 10.

²⁷ See ASA 210, paragraph A24.

²⁸ See ASA 200, paragraph 13(j).

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reflect additional responsibilities that are relevant to the preparation of the financial report in the context of the particular jurisdiction or the nature of the entity.

- A41. ASA 210 requires the auditor to agree management's responsibilities in an engagement letter or other suitable form of written agreement.²⁹ ASA 210 provides some flexibility in doing so, by explaining that, if law or regulation prescribes the responsibilities of management and, where appropriate, those charged with governance in relation to financial reporting, the auditor may determine that the law or regulation includes responsibilities that, in the auditor's judgement, are equivalent in effect to those set out in ASA 210. For such responsibilities that are equivalent, the auditor may use the wording of the law or regulation to describe them in the engagement letter or other suitable form of written agreement. In such cases, this wording may also be used in the auditor's report to describe the responsibilities as required by paragraph 33(a). In other circumstances, including where the auditor decides not to use the wording of law or regulation as incorporated in the engagement letter, the wording in paragraph 33(a) is used. In addition to including the description of management's responsibilities in the auditor's report as required by paragraph 33, the auditor may refer to a more detailed description of these responsibilities by including a reference to where such information may be obtained (e.g., in the annual report of the entity or a website of an appropriate authority).
- A42. In some jurisdictions, law or regulation prescribing management's responsibilities may specifically refer to a responsibility for the adequacy of accounting books and records, or accounting system. As books, records and systems are an integral part of internal control (as defined in ASA 315³⁰), the descriptions in ASA 210 and in paragraph 33 do not make specific reference to them.
- A43. The Appendix to this Auditing Standard provides illustrations of how the requirement in paragraph 33(b) would be applied when the Australian Accounting Standards are the applicable financial reporting framework. If an applicable financial reporting framework other than the Australian Accounting Standards is used, the illustrative statements featured in the Appendix to this Auditing Standard may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

Oversight of the financial reporting process (Ref: Para. 34)

- A44. When some, but not all, of the individuals involved in the oversight of the financial reporting process are also involved in preparing the financial report, the description as required by paragraph 34 may need to be modified to appropriately reflect the particular circumstances of the entity. When individuals responsible for the oversight of the financial reporting process are the same as those responsible for the preparation of the financial report, no reference to oversight responsibilities is required.

Auditor's Responsibilities for the Audit of the Financial Report (Ref: Para. 36–39)

- A45. The description of the auditor's responsibilities as required by paragraphs 36–39 may be tailored to reflect the specific nature of the entity, for example, when the auditor's report addresses a group's financial report. [Aus] Illustration 2A in the Appendix to this Auditing Standard includes an example of how this may be done.

Objectives of the auditor (Ref: Para. 37(a))

- A46. The auditor's report explains that the objectives of the auditor are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the auditor's

²⁹ See ASA 210, paragraph 6(b)(i)–(ii).

³⁰ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 4(c).

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opinion. These are in contrast to management's responsibilities for the preparation for the financial report.

Description of materiality (Ref: Para. 37(c))

A47. The Appendix to this Auditing Standard provides illustrations of how the requirement in paragraph 37(c), to provide a description of materiality, would be applied when the Australian Accounting Standards are the applicable financial reporting framework. If an applicable financial reporting framework other than the Australian Accounting Standards is used, the illustrative report presented in the Appendix to this Auditing Standard may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

Auditor's responsibilities relating to ASA 701 (Ref: Para. 39(c))

A48. The auditor may also consider it useful to provide additional information in the description of the auditor's responsibilities beyond what is required by paragraph 39(c). For example, the auditor may make reference to the requirement in paragraph 9 of ASA 701 to determine the matters that required significant auditor attention in performing the audit, taking into account areas of higher assessed risk of material misstatement or significant risks identified in accordance with ASA 315; significant auditor judgements relating to areas in the financial report that involved significant management judgement, including accounting estimates that have been identified as having high estimation uncertainty; and the effects on the audit of significant events or transactions that occurred during the period.

Location of the description of the auditor's responsibilities for the audit of the financial report (Ref: Para. 40, 49(j))

A49. Including the information required by paragraphs 38–39 in an appendix to the auditor's report or, when law, regulation or Australian Auditing Standards expressly permit, referring to a website of an appropriate authority containing such information may be a useful way of streamlining the content of the auditor's report. However, because the description of the auditor's responsibilities contains information that is necessary to inform users' expectations of an audit conducted in accordance with Australian Auditing Standards, a reference is required to be included in the auditor's report indicating where such information can be accessed.

Location in an appendix (Ref: Para. 40(b), 49(j))

A50. Paragraph 40 permits the auditor to include the statements required by paragraphs 38–39 describing the auditor's responsibilities for the audit of the financial report in an appendix to the auditor's report, provided that appropriate reference is made within the body of the auditor's report to the location of the appendix. The following is an illustration of how such a reference to an appendix could be made in the auditor's report:

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is included in appendix X of this auditor's report. This description, which is located at [*indicate page number or other specific reference to the location of the description*], forms part of our auditor's report.

Reference to a website of an appropriate authority (Ref: Para. 40(c), 41)

- A51. Paragraph 40 explains that the auditor may refer to a description of the auditor's responsibilities located on a website of an appropriate authority, only if expressly permitted by law, regulation or Australian Auditing Standards. The information on the website that is incorporated in the auditor's report by way of a specific reference to the website location where such information can be found may describe the auditor's work, or the audit in accordance with Australian Auditing Standards more broadly, but it cannot be inconsistent with the description required in paragraphs 38–39. This means that the wording of the description of the auditor's responsibilities on the website may be more detailed, or may address other matters relating to an audit of the financial report, provided that such wording reflects and does not contradict the matters addressed in paragraphs 38–39.
- A52. An appropriate authority could be the Auditing and Assurance Standards Board, a regulator, or an audit oversight body. Such organisations are well-placed to ensure the accuracy, completeness and continued availability of the standardised information. It would not be appropriate for the auditor to maintain such a website. The following is an illustration of how such a reference to a website could be made in the auditor's report:

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at [Organisation's] website at: [website address]. This description forms part of our auditor's report.

Other Reporting Responsibilities (Ref: Para. 42–44)

- A53. In some jurisdictions, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibilities under the Australian Auditing Standards. 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, such as the adequacy of accounting books and records, internal control over financial reporting or other information. Auditing standards in the specific jurisdiction often provide guidance on the auditor's responsibilities with respect to specific additional reporting responsibilities in that jurisdiction.
- A54. In some cases, the relevant law or regulation may require or permit the auditor to report on these other responsibilities as part of their auditor's report on the financial report. In other cases, the auditor may be required or permitted to report on them in a separate report.
- A55. Paragraphs 42–44 permit combined presentation of other reporting responsibilities and the auditor's responsibilities under the Australian Auditing Standards only when they address the same topics and the wording of the auditor's report clearly differentiates the other reporting responsibilities from those under the Australian Auditing Standards. Such clear differentiation may make it necessary for the auditor's report to refer to the source of the other reporting responsibilities and to state that such responsibilities are beyond those required under the Australian Auditing Standards. Otherwise, other reporting responsibilities are required to be addressed in a separate section in the auditor's report with a heading "Report on Other Legal and Regulatory Requirements," or otherwise as appropriate to the content of the section. In

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such cases, paragraph 44 requires the auditor to include reporting responsibilities under the Australian Auditing Standards under a heading titled “Report on the Audit of the Financial Report.”

Name of the Engagement Partner (Ref: Para. 45)

- A56. ASQC 1³¹ requires that the firm establish policies and procedures to provide reasonable assurance that engagements are performed in accordance with professional standards and applicable legal and regulatory requirements. Notwithstanding these ASQC 1 requirements, naming the engagement partner in the auditor’s report is intended to provide further transparency to the users of the auditor’s report of a general purpose financial report of a listed entity.
- A57. Law, regulation or the Australian Auditing Standards may require that the auditor’s report include the name of the engagement partner responsible for audits other than those of a general purpose financial report of listed entities. The auditor may also be required by law, regulation or the Australian Auditing Standards, or may decide to include additional information beyond the engagement partner’s name in the auditor’s report to further identify the engagement partner, for example, the engagement partner’s professional license number that is relevant to the jurisdiction where the auditor practices.
- A58. In rare circumstances, the auditor may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement partner is made public, may result in physical harm to the engagement partner, other engagement team members or other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law or regulation may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.

Signature of the Auditor (Ref: Para. 46)

- A59. The auditor’s signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate for the particular jurisdiction. In addition to the auditor’s signature, in certain jurisdictions, the auditor may be required to declare in the auditor’s report the auditor’s professional accountancy designation or the fact that the auditor or firm, as appropriate, has been recognised by the appropriate licensing authority in that jurisdiction.
- A60. In some cases, law or regulation may allow for the use of electronic signatures in the auditor’s report.

Date of the Auditor’s Report (Ref: Para. 48)

- A61. The date of the auditor’s report informs the user of the auditor’s report 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 560.³²
- A62. Since the auditor’s opinion is provided on the financial report and the financial report is the responsibility of management, the auditor is not in a position to conclude that sufficient appropriate audit evidence has been obtained until evidence is obtained that all the statements that comprises the financial report, including the related notes, have been prepared and management has accepted responsibility for them.

³¹ See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements*, paragraph 32.

³² See ASA 560 *Subsequent Events*, paragraphs 10–17.

- A63. In some jurisdictions, law or regulation identifies the individuals or bodies (e.g., the directors) that are responsible for concluding that all the statements that comprises the financial report, including the related notes, have been prepared, and specifies the necessary approval process. In such cases, evidence is obtained of that approval before dating the report on the financial report. In other jurisdictions, however, the approval process is not prescribed in law or regulation. In such cases, the procedures the entity follows in preparing and finalising its financial report in view of its management and governance structures are considered in order to identify the individuals or body with the authority to conclude that all the statements that comprises the financial report, including the related notes, have been prepared. In some cases, law or regulation identifies the point in the financial reporting process at which the audit is expected to be complete.
- A64. In some jurisdictions, final approval of the financial report by shareholders is required before the financial report is issued publicly. In these jurisdictions, final approval by shareholders is not necessary for the auditor to conclude that sufficient appropriate audit evidence has been obtained. The date of approval of the financial report for purposes of Australian Auditing Standards is the earlier date on which those with the recognised authority determine that all the statements that comprises the financial report, including the related notes, have been prepared and that those with the recognised authority have asserted that they have taken responsibility for them.

Auditor's Report Prescribed by Law or Regulation (Ref: Para. 49)

- A65. ASA 200 explains that the auditor may be required to comply with legal or regulatory requirements in addition to Australian Auditing Standards.³³ When the differences between the legal or regulatory requirements and Australian Auditing Standards relate only to the layout and wording of the auditor's report, the requirements in paragraph 49(a)–(n) set out the minimum elements to be included in the auditor's report to enable a reference to the Australian Auditing Standards. In those circumstances, the requirements in paragraphs 21–48 that are not included in paragraph 49(a)–(n) do not need to be applied including, for example, the required ordering of the Opinion and Basis for Opinion sections.
- A66. Where specific requirements in a particular jurisdiction do not conflict with Australian Auditing Standards, the layout and wording required by paragraphs 21–48 assist users of the auditor's report in more readily recognising the auditor's report as a report of an audit conducted in accordance with Australian Auditing Standards.

Information Required by ASA 701 (Ref: Para. 49(h))

- A67. Law or regulation may require the auditor to provide additional information about the audit that was performed, which may include information that is consistent with the objectives of ASA 701, or may prescribe the nature and extent of communication about such matters.
- A68. The Australian Auditing Standards do not override law or regulation that governs an audit of a financial report. When ASA 701 is applicable, reference can only be made to Australian Auditing Standards in the auditor's report if, in applying the law or regulation, the section required by paragraph 49(h) is not inconsistent with the reporting requirements in ASA 701. In such circumstances, the auditor may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by ASA 701, for example by:
- Modifying the heading “Key Audit Matters”, if law or regulation prescribes a specific heading;
 - Explaining why the information required by law or regulation is being provided in the auditor's report, for example by making a reference to the relevant law or regulation and describing how that information relates to the key audit matters;

³³ See ASA 200, paragraph A55.

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- Where law or regulation prescribes the nature and extent of the description, supplementing the prescribed information to achieve an overall description of each key audit matter that is consistent with the requirement in paragraph 13 of ASA 701.

A69. ASA 210 deals with circumstances where law or regulation of the relevant jurisdiction prescribes the layout or wording of the auditor's report in terms that are significantly different from the requirements of Australian Auditing Standards, which in particular includes the auditor's opinion. In these circumstances, ASA 210 requires the auditor to evaluate:

- (a) Whether users might misunderstand the assurance obtained from the audit of the financial report and, if so,
- (b) Whether additional explanation in the auditor's report can mitigate possible misunderstanding.

If the auditor concludes that additional explanation in the auditor's report cannot mitigate possible misunderstanding, ASA 210 requires the auditor not to accept the audit engagement, unless required by law or regulation to do so. In accordance with ASA 210, an audit conducted in accordance with such law or regulation does not comply with Australian Auditing Standards. Accordingly, the auditor does not include any reference in the auditor's report to the audit having been conducted in accordance with Australian Auditing Standards.³⁴

Considerations specific to public sector entities

A70. Auditors of public sector entities may also have the ability pursuant to law or regulation to report publicly on certain matters, either in the auditor's report or in a supplementary report, which may include information that is consistent with the objectives of ASA 701. In such circumstances, the auditor may need to tailor certain aspects of the communication of key audit matters in the auditor's report required by ASA 701 or include a reference in the auditor's report to a description of the matter in the supplementary report.

Auditor's Report for Audits Conducted in Accordance with Both Auditing Standards of a Specific Jurisdiction and Australian Auditing Standards (Ref: Para. 50)

A71. The auditor may refer in the auditor's report to the audit having been conducted in accordance with both Australian Auditing Standards as well as the other auditing standards when, in addition to complying with the relevant other auditing standards, the auditor complies with each of the Australian Auditing Standards relevant to the audit.³⁵

A72. A reference to both Australian Auditing Standards and the other auditing standards is not appropriate if there is a conflict between the requirements in the Australian Auditing Standards and those in the other auditing standards that would lead the auditor to form a different opinion or not to include an Emphasis of Matter or Other Matter paragraph that, in the particular circumstances, is required by the Australian Auditing Standards. In such a case, the auditor's report refers only to the auditing standards (either Australian Auditing Standards or the other auditing standards) in accordance with which the auditor's report has been prepared.

Supplementary Information Presented with the Financial Report (Ref: Para. 52–53)

A73. In some circumstances, the entity may be required by law, regulation or the Australian Auditing Standards, or may voluntarily choose, to present together with the financial report supplementary information that is not required by the applicable financial reporting framework. For example, supplementary information might be presented to enhance a user's understanding of the applicable financial reporting framework or to provide further

³⁴ See ASA 210, paragraph 21.

³⁵ See ASA 200, paragraph A56.

explanation of specific financial statement items. Such information is normally presented in either supplementary schedules or as additional notes.

- A74. Paragraph 52 explains that the auditor's opinion covers supplementary information that is an integral part of the financial report because of its nature or how it is presented. This evaluation is a matter of professional judgement. To illustrate:
- When the notes to the financial statements include an explanation or the reconciliation of the extent to which the financial report complies with another financial reporting framework, the auditor may consider this to be supplementary information that cannot be clearly differentiated from the financial report. The auditor's opinion would also cover notes or supplementary schedules that are cross-referenced from the financial report.
 - When an additional profit and loss account that discloses specific items of expenditure is disclosed as a separate schedule included as an Appendix to the financial report, the auditor may consider this to be supplementary information that can be clearly differentiated from the financial report.
- A75. Supplementary information that is covered by the auditor's opinion does not need to be specifically referred to in the auditor's report when the reference to the notes in the description of the statements that comprises the financial report in the auditor's report is sufficient.
- A76. Law or regulation may not require that the supplementary information be audited, and management may decide to ask the auditor not to include the supplementary information within the scope of the audit of the financial report.
- A77. The auditor's evaluation whether unaudited supplementary information is presented in a manner that could be construed as being covered by the auditor's opinion includes, for example, where that information is presented in relation to the financial report and any audited supplementary information, and whether it is clearly labelled as "unaudited."
- A78. Management could change the presentation of unaudited supplementary information that could be construed as being covered by the auditor's opinion, for example, by:
- Removing any cross-references from the financial report to unaudited supplementary schedules or unaudited notes so that the demarcation between the audited and unaudited information is sufficiently clear.
 - Placing the unaudited supplementary information outside of the financial report or, if that is not possible in the circumstances, at a minimum placing the unaudited notes together at the end of the required notes to the financial report and clearly labelling them as unaudited. Unaudited notes that are intermingled with the audited notes can be misinterpreted as being audited.
- A79. The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities described in [proposed] ISA 720.³⁶

³⁶ See [proposed] ISA 720, *The Auditor's Responsibilities Relating to Other Information*.

Appendix

(Ref: Para. A14)

Illustrations of Independent Auditor's Reports on Financial Reports

- Illustration 1: [Deleted by the AUASB. Refer Illustration [Aus] 1A]
- [Aus] Illustration 1A: An auditor's report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
- Illustration 2: [Deleted by the AUASB. Refer Illustration [Aus] 2A]
- [Aus] Illustration 2A: An auditor's report on a financial report of a listed company (Group) prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
- Illustration 3: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with a fair presentation framework .
- Illustration 4: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with a general purpose compliance framework.

Draft

Example Auditor's Report
Single Company—Corporations Act 2001
(Fair Presentation Framework)

[Aus] Illustration 1A:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a single listed company's financial report. The audit is not a group audit (i.e. ASA 600 does not apply).
- The financial report is prepared by the directors of the entity in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e. "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's company's ability to continue as a going concern in accordance with ASA 570 .
- Key audit matters have been communicated in accordance with ASA 701.
- The auditor is required to include an other information section in accordance with [proposed ISA 720.*]
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*. (Ref: Para. 42 -44)

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Audit of the Financial Report[#]

Opinion

We have audited the financial report of ABC Company Ltd. (the Company), which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

the accompanying financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

* See proposed ISA 720 *The Auditor's Responsibilities Relating to Other Information* [proposed standard being that based on December 2014 IAASB published board paper version.]

The sub-title "Report on the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements", or other appropriate sub-title, is not applicable.

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- (a) giving a true and fair view of the company's financial position as at 30 June 20X1 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ABC Company Ltd., would be in the same terms if given to the directors as at the time of this auditor's report.*

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ASA 701.]

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 20X1, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

* 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. [Section 307C (5A)(d) of the *Corporations Act 2001*.]

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In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Paragraph 40(b) of this Auditing Standard explains that the shaded material below can be located in an Appendix to the auditor's report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report[§]

We have audited the Remuneration Report included in [paragraphs a to b or pages x to y] of the directors' report for the year ended 30 June 20X1. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of ABC Company Ltd., for the year [period] ended 30 June 20X1, complies with section 300A of the *Corporations Act 2001*.

[Auditor's name and signature]*

[Date of the auditor's report]

[Auditor's address]

Draft

[§] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

* The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

Example Auditor's Report
Group—Corporations Act 2001
(Fair Presentation Framework)

[Aus] Illustration 2A:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report of a listed company. The audit is a group audit of a company with subsidiaries (i.e. ASA 600 applies).
- The financial report is prepared by the directors of the entity in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*. The directors have elected to report only the consolidated financial position and financial results, and not to report separately the Company's individual financial position and financial results.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e. "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern in accordance with ASA 570.
- Key audit matters have been communicated in accordance with ASA 701.
- The auditor is required to include an other information section in accordance with [proposed ISA 720.*]
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*. (Ref: Para. 42 -44)

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Audit of the Financial Report[#]

Opinion

We have audited the financial report of ABC Company Ltd. (the Company), including its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 20X1, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Company.

* See proposed ISA 720, *The Auditor's Responsibilities Relating to Other Information* [proposed standard being that based on December 2014 IAASB published board paper version.]

The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements", or other appropriate sub-title, is not applicable.

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In our opinion:

the accompanying financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's consolidated financial position as at 30 June 20X1 and of its consolidated financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ABC Company Ltd., would be in the same terms if given to the directors as at the time of this auditor's report.*

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ASA 701.]

Other Information

The directors are responsible for the other information. The other information comprises the information in the Company's annual report for the year ended 30 June 20X1, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*

* 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. [Section 307C (5A)(d) of the *Corporations Act 2001*.]

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and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Paragraph 40(b) of this Auditing Standard explains that the shaded material below can be located in an Appendix to the auditor's report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report[§]

We have audited the Remuneration Report included in [paragraphs a to b or pages x to y] of the directors' report for the year ended 30 June 20X1. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of ABC Company Ltd., for the year ended 30 June 20X1, complies with section 300A of the *Corporations Act 2001*.

[Auditor's name and signature]*

[Date of the auditor's report]

[Auditor's address]

Draft

[§] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

* The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

Illustration 3 – Auditor’s Report on a Financial Report of an Entity Other than a Listed Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a financial report of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has obtained the other information and is therefore required to include an other information section in accordance with [proposed ISA 720.*]
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

To the Members of ABC Entity [or Other Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.[#]

In our opinion, the accompanying financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the Entity as at 30 June 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

* See proposed ISA 720, *The Auditor’s Responsibilities Relating to Other Information* [proposed standard being that based on December 2014 IAASB published board paper version.]

Or other applicable assertion by management or those charged with governance.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information in the Entity's annual report for the year ended 30 June 20X1, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report³⁷

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,³⁸ and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

Paragraph 40(b) of this Auditing Standard explains that the shaded material below can be located in an Appendix to the auditor's report.

³⁷ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

³⁸ Where management's responsibility is to prepare a financial report that gives a true and fair view, this may read: "Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ..."

Proposed Auditing Standard ASA 700
Forming an Opinion and Reporting on a Financial Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is [name].

[Auditor's Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate]

[Auditor Address]

[Date]

Illustration 4 – Auditor’s Report on a Financial Report of an Entity Other than a Listed Entity Prepared in Accordance with a General Purpose Compliance Framework

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a financial report of an entity other than a listed entity required by law or regulation. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by management of the entity in accordance with the Financial Reporting Framework (XYZ Law) of Jurisdiction X (that is, a financial reporting framework, encompassing law or regulation, designed to meet the common financial information needs of a wide range of users, but which is not a fair presentation framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has obtained the other information and is therefore required to include an other information section in accordance with [proposed ISA 720.*]
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the balance sheet as at 30 June 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.[#]

In our opinion, the accompanying financial report of the Entity is prepared, in all material respects, in accordance with XYZ Law of Jurisdiction X.

* See proposed ISA 720, *The Auditor’s Responsibilities Relating to Other Information* [proposed standard being that based on December 2014 IAASB published board paper version.]

Or other applicable assertion by management or those charged with governance.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Those charged with governance are responsible for the other information. The other information comprises the information in the Entity's annual report for the year ended 30 June 20X1, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Report³⁹

Management is responsible for the preparation of the financial report in accordance with XYZ Law of Jurisdiction X,⁴⁰ and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

³⁹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁴⁰ [Deleted by the AUASB – not applicable as the financial reporting framework in this example is a *compliance* framework].

Proposed Auditing Standard ASA 700

Forming an Opinion and Reporting on a Financial Report

Paragraph 40(b) of this Auditing Standard explains that the shaded material below can be located in an Appendix to the auditor's report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.⁴¹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

The engagement partner on the audit resulting in this independent auditor's report is [name].

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁴¹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

Tables of Differences — ASA 700 and Existing ASA 700

Summary of Main Differences — ASA 700 and Existing ASA 700

The tables below outline the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 700.

Table 1: New Requirements

Item #	New Standard Para. No.	Requirements, Significant Guidance, Extracts or Descriptions	Commentary
1	23	The first section of the auditor’s report shall include the auditor’s opinion, and shall have the heading “Opinion”, unless law or regulation prescribe otherwise.	Prominent placement of the auditor’s opinion. Promotes a degree of consistency and recognition of ISA, and ISA equivalent, auditor’s reports. The “Opinion” and “Basis for Opinion” paragraphs (see below) are the only mandated placements thereby allowing flexibility in the presentation of the auditor’s report.
2	28	The auditor’s report shall include a section, directly following the Opinion section, with the heading “Basis for Opinion”, unless law or regulation prescribe otherwise.	Logical (mandated) placement of the overall basis supporting the auditor’s opinion - how the audit was conducted; a pointer to further details of the auditor’s responsibilities; a declaration of independence from the entity and compliance with relevant ethical requirements; identifying the jurisdiction of origin of the relevant ethical requirements; and a statement on the sufficiency and appropriateness of audit evidence.
3	29	Where applicable, the auditor is required to report in accordance with the revised going concern standard, ASA 570. The section is to be headed “Material Uncertainty Related to Going Concern”.	A separate section in the auditor’s report is required only when a material uncertainty relating to going concern exists – continuation of exception-based reporting.
4	30	For the audit of a general purpose financial report of a “listed entity”, the auditor is required to communicate key audit matters in accordance with ASA 701.	Key audit matters (KAM) are those matters that, in the auditor’s professional judgement, were of most significance in the audit of the current period.
5	31	When the auditor is otherwise required by law or	In such circumstances, paragraph A37 directs the auditor to

Item #	New Standard Para. No.	Requirements, Significant Guidance, Extracts or Descriptions	Commentary
		regulation or decides to communicate key audit matters, the auditor is required to do so in accordance with ASA 701.	consider the requirements of ASA 210 (<i>Agreeing the Terms of Audit Engagements</i>).
6	32-35	Enhancement to the section on responsibilities for the financial report.	<p>A new paragraph has been introduced describing management’s responsibility to assess the entity’s ability to continue as a going concern and whether use of the going concern basis of accounting is appropriate; and include a description of when the use of the going concern basis of accounting is appropriate.</p> <p>A further enhancement is the requirement to identify those responsible for the oversight of the financial reporting process, when those responsible are different from those who prepare the financial report.</p>
7	36-39	Improved description of the responsibilities of the auditor and key features of an audit.	<p>Improvements include:</p> <ul style="list-style-type: none"> • Stating that the auditor exercises professional judgement and maintains professional scepticism throughout the audit. • Concluding on the appropriateness of management’s use of the going concern basis of accounting, and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. • If applicable, describing the auditor’s responsibilities in a group audit. • Stating that the auditor communicates with those charged with governance and the types of matters communicated. • For listed entities, state that the auditor has provided those charged with governance with a statement of compliance with independence and other ethical requirements. • Where applicable, describe the auditor’s responsibilities to communicate key audit matters.
8	40	The description of the auditor’s responsibilities can be located in an appendix to the auditor’s report.	The auditor, considering the circumstances of the engagement, decides whether to include the section on the auditor’s

Item #	New Standard Para. No.	Requirements, Significant Guidance, Extracts or Descriptions	Commentary
			<p>responsibilities in the body of the auditor's report or in an appendix to the auditor's report.</p> <p>Although the standard provides for referencing the auditor's responsibilities to a suitable website - the AUASB has decided <i>not</i> to provide this facility on its website.</p>

Table 2: Existing Requirements Not Included in the Proposed Standard

Item #	Existing Standard Para. No.	Requirements, Significant Guidance, Extracts or Descriptions	Commentary
1	Aus 37.1	Where applicable, the auditor is required to opine on the entity's financial report complying with IFRS.	<p>This requirement is <i>not</i> carried forward to the revised standard as the question of whether the financial report is in compliance with IFRS is now covered by the Directors' declaration required under the <i>Corporations Act 2001</i> [section 295 (4)(ca)].</p> <p>For all other audits, users will need to read the significant accounting policies note to discover whether the entity has included an explicit and unreserved statement of compliance with IFRS in accordance with the requirements of AASB 101 <i>Presentation of Financial Statements</i>.</p>
2	Aus 40.1	The auditor's report shall be dated as of the date the auditor signs that report.	In conforming with the ISAs, the AUASB's policy is to limit amendments to the relevant ISA when developing the equivalent Australian standard. Accordingly, references to requirements and guidance originating from outside the Australian Auditing Standards are no longer included in the AUASB's standards.