



## Auditor's Responsibilities and the Financial Reporting Framework

### *Evaluating whether the financial report adequately refers to or describes the applicable financial reporting framework as part of the auditor's work*

#### Introduction

As part of its recent outreach and research activities the Auditing and Assurance Standards Board (AUASB) Technical Group have observed a number of instances where:

- Preparers of financial reports have not adequately referred to or described the financial reporting framework (FRF) (including whether a general purpose or a special purpose framework was applied); and
- Auditor's reports of financial reports prepared using a special purpose framework (SPF) did not include an Emphasis of Matter paragraph.

The purpose of this AUASB Bulletin is to remind auditors of their responsibilities in relation to considering the FRF when auditing a financial report. In addition this Bulletin alerts auditors to additional disclosure requirements being proposed for financial reports prepared using a SPF.

#### What are the requirements for auditors in relation to the consideration of the FRF?

The AUASB reminds auditors of the following relevant requirements:

- ASA 210<sup>1</sup> requires the auditor, as a precondition to accepting the engagement, to determine whether the FRF that is to be applied in the preparation of the financial report is acceptable, and obtain acknowledgement from management that they understand their responsibility to prepare the financial report in accordance with this FRF;
- ASA 700<sup>2</sup> requires auditors to evaluate whether the financial report adequately refers to or describes the applicable FRF; and
- ASA 800<sup>3</sup> has additional reporting for inclusion in auditor reports of financial reports prepared in accordance with a SPF, being the following:
  - a description of the purpose for which the financial report is prepared, and if necessary, the intended users, or refer to a note in the financial report that contains this information;
  - if management have a choice of FRF in the preparation of the financial report, the explanation of management's responsibility for the financial report shall also make reference to its responsibility for determining that the applicable FRF is acceptable in the circumstances; and
  - an Emphasis of Matter paragraph alerting users that the financial report is prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose.

<sup>1</sup> ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a) & (b)(i)

<sup>2</sup> ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraph 15

<sup>3</sup> ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*, paragraphs 13 and 14

## Proposed additional disclosures by preparers of financial reports using special purpose frameworks

The Australian Accounting Standards Board (AASB) is currently undertaking a project which proposes to remove the ability for certain entities to prepare financial reports using a SPF when they are required to comply with Australian Accounting Standards (AAS). As this project will take some time, as an interim measure the AASB has recently issued ED 293<sup>4</sup> that proposes certain entities preparing financial reports using a SPF to disclose additional information including:

- the basis on which the decision to use a special purpose framework was made; and
- an explicit statement as to whether or not the accounting policies applied in its preparation comply with all the recognition and measurement requirements in AAS and, if not, an indication of where they do not comply.

If ED 293 is enacted as proposed by the AASB, auditors of financial reports using a SPF are reminded of the requirements in relation to the consideration of the FRF outlined above when auditing the financial report. In particular auditors will be required to consider whether the preparer has appropriately included the additional disclosures required by ED 293, and assess whether the additional disclosures are materially misstated in accordance with ASA 320<sup>5</sup>.

### Feedback welcome

Feedback and queries are welcome and should be directed to [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au) or by telephone +61 3 8080 7445.

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<sup>4</sup> Exposure draft: ED 293 *Amendments to Australian Accounting Standards – Disclosure in Special Purpose Financial Statements of Compliance with Recognition and Measurement Requirements*. Refer to the full version of ED 293 on the AASB Website [here](#).

<sup>5</sup> Refer ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2 – “Disclosures would be considered material if their omission, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report”