

ASRE 2415
(June 2010)

Explanatory Statement

ASRE 2415 Review of a Financial Report – Company Limited by Guarantee

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Reasons for Issuing Auditing Standard ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory board 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 Act), the AUASB may make Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the *Corporations Amendment (Corporate Reporting Reform) Act 2010*, the Act and related Regulations have been amended to enable certain companies limited by guarantee to elect for their financial report for a financial year to be reviewed instead of audited. Accordingly, the AUASB issues ASRE 2415 as an Auditing Standard under section 336 of the Act, to address the reforms to the Act and related Regulations.

Operative Date

ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee* is operative for financial reporting periods ending on or after 30 June 2010.

Purpose of Auditing Standard ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*

The purpose of the Auditing Standard is to establish requirements and provides application and other explanatory material regarding a review of a financial report for a financial year of certain companies limited by guarantee and on the form and content of the auditor's review report.

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Main Features

The transitional Auditing Standard on Review Engagements establishes requirements and provides application and other explanatory material regarding a review of a financial report for a financial year of certain companies limited by guarantee and on the form and content of the auditor's review report.

The Auditing Standard:

- (a) Directs an auditor who has conducted an audit of the company's previous financial report, to conduct a review in the first reporting period under the revised legislation, in accordance with:
 - (i) *ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*; or
 - (ii) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity* for financial reporting periods commencing on or after 1 January 2010.
- (b) Directs an auditor who has not conducted an audit of the company's previous financial report, to conduct a review in accordance with *ASRE 2400 Review of a Financial Reports Performed by an Assurance Practitioner Who is not the Auditor of the Entity*.
- (c) Requires the auditor to comply with relevant ethical requirements; and to implement quality control relevant to the individual engagement.

Process of making Australian Auditing Standards

The AUASB makes Auditing Standards under its legislative mandate and the direction of the Financial Reporting Council (FRC) that, *inter alia*, require the AUASB to develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

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In implementing its mandate, the AUASB has developed Auditing Standard ASRE 2415 that:

- supports the amendments to the Act in respect of certain companies limited by guarantee by providing requirements and guidance to auditors;
- provides clarity of the auditor's obligations; and
- addresses the legal enforceability of mandatory obligations.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard. Exposure Draft ED 02/10 *Proposed Auditing Standard: Review of a Financial Report – Company Limited by Guarantee*, was issued on 28 May 2010 with a 27 day comment period.

As an integral part of its consultation with the public, the AUASB sought comments on specific questions including:

- the completeness and accuracy of references in the Auditing Standard to relevant laws and regulations;
- the significant costs, if any, and benefits of compliance with the requirements under the Auditing Standard; and
- whether or not there exist any matters of public interest affecting the issuance of the Auditing Standard.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Regulation Impact Assessment

A regulation impact assessment (RIA) has been prepared in connection with the issuance of Auditing Standard ASRE 2415.

The RIA has considered both the expected benefits and expected costs of the introduction of the Auditing Standard, including comments provided by stakeholders during the redrafting process. It concluded that expected benefits to users of audit and review services, users of auditors' reports, auditors and the Australian economy in general are likely to significantly outweigh any costs (if any).