

ASRE 2410

(July 2020)

**Auditing Standard on Review
Engagements ASRE 2410**
*Review of a Financial Report Performed by
the Independent Auditor of the Entity*

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



Australian Government

Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing ASRE 2410

The AUASB issues Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a Non-corporate Commonwealth entity 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 *Legislation 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 Features

This Auditing Standard on Review Engagements establishes requirements and provides application and other explanatory material regarding the responsibilities of an auditor of an entity when engaged to undertake a review of a financial report, and on the form and content of the auditor's review report.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (July 2020) pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard on Review Engagements 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.

Dated: 9 June 2020

R Simnett AO
Chair – AUASB

Conformity with International Standards on Review Engagements

This Auditing Standard on Review Engagements conforms with International Standard on Review Engagements ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

In 2009 extant ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* was reissued by the AUASB in clarity format. The underlying standard to extant ASRE 2410 is ISRE 2410 which has not been drafted in “clarity” format by the IAASB.

Additionally in 2009, following consultation with stakeholders in Australia in accordance with normal exposure draft processes, the AUASB decided that:

- due to the nature of reviews of other historical financial information, a separate Standard was more appropriate than ASRE 2410 being adapted by the auditor for this purpose; and
- ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*, developed by the AUASB, deals with reviews of other historical financial information.

At the time of issuing extant ASRE 2410 the AUASB determined that it conformed, with the exceptions listed below, to ISRE 2410 to the extent that ISRE 2410 deals with the review of financial statements by the auditor of the entity.

In 2019, following consultation with stakeholders in Australia, further amendments to ASRE 2410 were made to align the reporting requirements with the revised auditor reporting requirements contained in ASA 700 *Forming an Opinion and Reporting on a Financial Report* (operative for financial reporting periods ending on or after 15 December 2016). These amendments are additional reporting requirements which are not contained in ISRE 2410.

The AUASB considers that this Auditing Standard conforms, to the extent described above, with International Standard ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the IAASB. Generally, when the text of an International Standard is modified by the AUASB as part of its due process, additional or modified paragraphs are identified through the use of an “Aus.” prefix. Due to the extensive number of additions and restricting of the standard, “Aus.” paragraphs have not been used to identify Australian additions or modifications. The main differences between this Auditing Standard and ISRE 2410 are:

1. This Auditing Standard contains the following requirements that are not contained in ISRE 2410:
 - This Auditing Standard applies to:
 - ◆ a review, by the auditor of the entity, of a financial report for a half-year in accordance with the *Corporations Act 2001*; and
 - ◆ a review, by the auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose (Ref: Para. 1(a) and (b)).
 - Where in rare and exceptional circumstances, factors outside the auditor’s control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor shall:
 - ◆ if possible, perform appropriate alternative procedures; and
 - ◆ document in the working papers:

- the circumstances surrounding the inability to comply;
- the reasons for the inability to comply; and
- justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report (Ref: Para. 7).

- The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:
 - ◆ for the preparation of the financial report including where relevant their fair presentation;
 - ◆ for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
 - ◆ to provide the auditor with:
 - access to information relevant to the preparation of the financial report;
 - additional information that the auditor may request for the purposes of the review engagement; and
 - unrestricted access to persons from whom the auditor determines it necessary to obtain evidence (Ref: Para. 11).
- The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation (Ref: Para. 12).
- The auditor shall consider materiality, using professional judgement, when:
 - ◆ determining the nature, timing and extent of review procedures; and
 - ◆ evaluating the effect of misstatements (Ref: Para. 15).
- When comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report (Ref: Para. 22).
- If management and, where appropriate, those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation of the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate (Ref: Para. 25).
- When, as a result of performing the review of a financial report, a matter comes to the auditor's attention that indicates the existence of fraud or non-compliance with laws and regulations or suspected fraud or non-compliance with laws and regulations, has occurred in the entity, the auditor shall:

- ◆ communicate the matter unless prohibited by law or regulation, as soon as practicable to those charged with governance and shall consider the implications for the review
 - ◆ request management's assessment of the effect (s) on the financial report;
 - ◆ consider the effect on the auditor's conclusion and the review report; and
 - ◆ determine whether law, regulation or relevant ethical requirements:
 - require the auditor to report to an appropriate authority outside the entity;
 - establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances. (Ref: Para. 31).
 - The following paragraphs contain requirements in relation to the auditor's review report and are in addition to those in ISRE 2410:
 - ◆ Paragraphs 33 to 39 relate to the content and order of the auditor's review report;
 - ◆ Paragraphs 40, 41, 48 and 50 relate to auditor's review reports which contain a modified review conclusion;
 - ◆ Paragraphs 49 to 51 relate to auditor's review reports with a going concern matter;
 - ◆ Paragraphs 53 and 54 relate to emphasis of matter and other matter paragraphs.
2. This Auditing Standard includes explanatory guidance not contained within ISRE 2410 on:
- Materiality (Ref: Para. A14 to A18); and
 - Comparatives (Ref: Para. A28 to A31).
3. This Auditing Standard provides illustrative examples that differ in form and content from those contained in ISRE 2410, namely:
- An engagement letter (Appendix 1).
 - A written representation letter (Appendix 1).
 - The auditor's unmodified review reports (Appendices 3 and 4).
 - The auditor's modified review reports (Appendix 4).
4. This Auditing Standard provides illustrative detailed procedures that may be performed in an engagement to review a financial report that are not contained in ISRE 2410 (Appendix 2).

Compliance with this Auditing Standard on Review Engagements enables compliance with ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* to the extent described above.

AUDITING STANDARD ON REVIEW ENGAGEMENTS ASRE 2410

Review of a Financial Report Performed by the Independent Auditor of the Entity

Application

1. This Auditing Standard on Review Engagements applies to:
 - (a) a review by the auditor of the entity, of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) a review, by the auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose.

Operative Date

2. This Auditing Standard on Review Engagements is operative for financial reporting periods commencing on or after 1 July 2020 with early adoption permitted.

Introduction

Scope of this Auditing Standard on Review Engagements

3. This Auditing Standard on Review Engagements (Auditing Standard) deals with the auditor's responsibilities when an auditor undertakes an engagement to review a financial report of an audit client, and on the form and content of the auditor's review report. The term "auditor" is used throughout this Auditing Standard, not because the auditor is performing an audit function but because the scope of this Auditing Standard is limited to a review of a financial report performed by the auditor of the financial report of the entity.

Objective

4. The objective of the auditor is to plan and perform the review to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial report, or complete set of financial statements, is (are) not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A1-A3)

Definitions

5. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
 - (a) An interim financial report means a financial report that is prepared in accordance with an applicable financial reporting framework¹ for a period that is shorter than the entity's financial year.
 - (b) A financial report means 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

¹ See, for example, Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

framework determine the form and content of the financial report. For example, a financial report, as defined under section 303 of the *Corporations Act 2001* consists of financial statements for the half-year, notes to the financial statements and the directors' declaration about the statements and notes.

- (c) An applicable financial reporting framework means a financial reporting framework adopted by management, and where appropriate, those charged with governance, in the preparation of the financial report that is acceptable in view of the nature of the entity and the objective of the financial report, or that is required by law or regulation. 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 a 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.

Requirements

Performing a Review

6. The auditor who is engaged to perform a review of a financial report shall perform the review in accordance with this Auditing Standard. (Ref: Para. A4)
7. Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement in this Auditing Standard, the auditor shall:
- (a) if possible, perform appropriate alternative procedures; and
- (b) document in the working papers:
- (i) the circumstances surrounding the inability to comply;
- (ii) the reasons for the inability to comply; and
- (iii) justification of how alternative procedures achieve the objectives of the requirement.

When the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the implications for the auditor's review report.

General Principles of a Review of a Financial Report

8. The auditor shall comply with relevant ethical requirements relating to the audit of the annual financial report of the entity. (Ref: Para. A5)

9. The auditor shall implement quality control procedures that are applicable to the individual engagement. (Ref: Para. A6)
10. The auditor shall plan and perform the review by exercising professional judgement and with an attitude of professional scepticism, recognising that circumstances may exist that cause the financial report to require a material adjustment for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A7)

Agreeing the Terms of the Engagement (Ref: Para. A8, A58 and A60)

Preconditions for a Review

11. The auditor shall, prior to agreeing the terms of the engagement, determine whether the financial reporting framework is acceptable and obtain agreement from management and, where appropriate, those charged with governance, that it acknowledges and understands its responsibility:
 - (a) for the preparation of the financial report including, where relevant their fair presentation;
 - (b) for such internal controls as management and, where appropriate, those charged with governance, deems necessary to enable the preparation of the financial report that is free from material misstatement; and
 - (c) to provide the auditor with:
 - (i) access to information relevant to the preparation of the financial report;
 - (ii) additional information that the auditor may request for the purposes of the review engagement; and
 - (iii) unrestricted access to persons from whom the auditor determines it necessary to obtain evidence.

Agreement on Review Engagement Terms

12. The auditor shall agree the terms of the engagement with the entity, which shall be recorded in writing by the auditor and forwarded to the entity. When the review engagement is undertaken pursuant to legislation, the minimum applicable terms are those contained in the legislation.

Procedures for a Review of a Financial Report

Understanding the Entity and its Environment, Including its Internal Control

13. The auditor shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports, sufficient to plan and conduct the engagement so as to be able to:
 - (a) identify the types of potential material misstatements and consider the likelihood of their occurrence; and
 - (b) select the enquiries, analytical and other review procedures that will provide the auditor with a basis for reporting whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A9-A12)

14. In order to plan and conduct a review of a financial report, a recently appointed auditor, who has not yet performed an audit of the annual financial report in accordance with Australian Auditing Standards, shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports. (Ref: Para. A13)

Materiality (Ref: Para. A14-A18)

15. The auditor shall consider materiality, using professional judgement, when:
- (a) determining the nature, timing and extent of review procedures; and
 - (b) evaluating the effect of misstatements.

Enquiries, Analytical and Other Review Procedures

16. The auditor shall make enquiries, primarily of persons responsible for financial and accounting matters, and perform analytical and other review procedures to enable the auditor to conclude whether, on the basis of the procedures performed, anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework. (Ref: Para. A19-A23)
17. The auditor shall obtain evidence that the financial report agrees or reconciles with the underlying accounting records. (Ref: Para. A24)
18. The auditor shall enquire whether management has identified all events up to the date of the auditor's review report that may require adjustment to or disclosure in the financial report. (Ref: Para. A25)
19. The auditor shall enquire whether those charged with governance have changed their assessment of the entity's ability to continue as a going concern. When, as the result of this enquiry or other review procedures, the auditor becomes aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall:
- (a) enquire of those charged with governance as to their plans for future actions based on their going concern assessment, the feasibility of these plans, and whether they believe that the outcome of these plans will improve the situation; and
 - (b) consider the adequacy of the disclosure about such matters in the financial report. (Ref: Para. A26)
20. The auditor shall enquire of management and, where appropriate, those charged with governance, as to the existence of any actual or suspected non-compliance with provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial report. (Ref: Para. A20)
21. When a matter comes to the auditor's attention that leads the auditor to question whether a material adjustment should be made for the financial report to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall make additional enquiries or perform other procedures to enable the auditor to express a conclusion in the auditor's review report. (Ref: Para. A27)

Comparatives – First Financial Report (Ref: Para. A28-A31)

22. When comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report.

Evaluation of Misstatements (Ref: Para. A32-A34)

23. The auditor shall evaluate, individually and in the aggregate, whether uncorrected misstatements that have come to the auditor's attention are material to the financial report.

Written Representations

24. The auditor shall endeavour to obtain written representations from management and, where appropriate, those charged with governance, that:
- (a) They acknowledge their responsibility for the design and implementation of internal control to prevent and detect fraud and error;
 - (b) The financial report is prepared and presented in accordance with the applicable financial reporting framework;
 - (c) They believe the effect of those uncorrected misstatements aggregated by the auditor during the review are immaterial, both individually and in the aggregate, to the financial report taken as a whole. A summary of such items is included in or attached to the written representations;
 - (d) They have disclosed to the auditor all significant facts relating to any frauds or suspected frauds known to them that may have affected the entity;
 - (e) They have disclosed to the auditor the results of their assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (f) They have disclosed to the auditor all known actual or suspected non-compliance with laws and regulations, the effects of which are to be considered when preparing the financial report; and
 - (g) They have disclosed to the auditor all significant events that have occurred subsequent to the balance sheet date and through to the date of the auditor's review report that may require adjustment to or disclosure in the financial report. (Ref: Para. A35)
25. If management and, where appropriate, those charged with governance refuse to provide a written representation that the auditor considers necessary, this constitutes a limitation on the scope of the auditor's work and the auditor shall express a qualified conclusion or a disclaimer of conclusion, as appropriate.

Auditor's Responsibility for Other Information

26. The auditor shall read the other information that accompanies the financial report to consider whether there is a material inconsistency with the financial report.
(Ref: Para. A36)
27. If a matter comes to the auditor's attention that causes the auditor to believe that the other information appears to include a material misstatement of fact, the auditor shall discuss the matter with the entity's management, and where appropriate, those charged with governance. (Ref: Para. A38)

Communication

28. When, as a result of performing a review of a financial report, a matter comes to the auditor's attention that causes the auditor to believe that it is necessary to make a material adjustment to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, the auditor shall communicate this matter as soon as practicable to the appropriate level of management.
29. When, in the auditor's judgement, management does not respond appropriately within a reasonable period of time, the auditor shall inform those charged with governance. (Ref: Para. A39)
30. When, in the auditor's judgement, those charged with governance do not respond appropriately within a reasonable period of time, the auditor shall consider:
- (a) Whether to modify the auditor's review report; or
 - (b) The possibility of withdrawing from the engagement; and
 - (c) The possibility of resigning from the appointment to audit the annual financial report. (Ref: Para. A37 and A62)
31. When, as a result of performing the review of a financial report, a matter comes to the auditor's attention that indicates the existence of fraud or non-compliance with laws and regulations, or suspected fraud or non-compliance with laws and regulations, the auditor shall:
- (a) Communicate the matter unless prohibited by law or regulation, as soon as practicable to management and where appropriate those charged with governance;
 - (b) Request management's assessment of the effect (s) on the financial report;
 - (c) Consider the effect on the auditor's conclusion and the auditor's review report; and
 - (d) Determine whether law, regulation or relevant ethical requirements:
 - (i) require the auditor to report to an appropriate authority outside the entity;
 - (ii) establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances. (Ref: Para. A39 – A41)
32. The auditor shall communicate relevant matters of governance interest arising from the review of the financial report to those charged with governance. (Ref: Para. A42 and A63)

Reporting the Nature, Extent and Results of the Review of a Financial Report

33. The auditor shall issue a written report that contains the following:
- (a) An appropriate title clearly identifying it as a review report of the independent auditor of the entity.
 - (b) An addressee, as required by the circumstances of the engagement.
34. The first section of the auditor's review report shall include the auditor's conclusion, and shall have the heading "Conclusion". The Conclusion section of the auditor's review report shall:
- (a) Identify the entity whose financial report has been reviewed;

- (b) State that the financial report has been reviewed;
 - (c) Identify the title of each statement comprising the financial report;
 - (d) Refer to the notes, including a summary of significant accounting policies and other explanatory notes²;
 - (e) Specify the date or, or the period covered by, each statement comprising the financial report; and
 - (f) Include a conclusion:
 - (i) When expressing an unmodified conclusion on a half-year financial report prepared in accordance with the *Corporations Act 2001*, the report shall include a conclusion as to whether the auditor has become aware of any matter that makes the auditor believe that the half-year financial report does not comply with the *Corporations Act 2001*, including giving a true and fair view of the financial position and its performance, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*³.
 - (ii) When expressing an unmodified conclusion on a financial report prepared in accordance with a fair presentation framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial report does not present fairly, in all material respects, or if applicable is not true and fair, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when Australia is not the origin of the financial reporting framework used).
 - (iii) When expressing an unmodified conclusion on a financial report prepared in accordance with a compliance framework, the report shall include a conclusion as to whether anything has come to the auditor's attention that causes the auditor to believe that the financial report has not been prepared, in all material respects, in accordance with the applicable financial reporting framework (including a reference to the jurisdiction or country of origin of the financial reporting framework when Australia is not the origin of the financial reporting framework used). (Ref A43 and A44)
35. The report shall include a section directly following the Conclusion section, with the heading "Basis for Conclusion", that:
- (a) States that the review of the financial report was conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*;
 - (b) Refers to the section of the auditor's review report that describes the auditor's responsibilities; and
 - (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit of the annual financial report, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the relevant ethical requirements applicable within Australia.

² Refer AASB 134 *Interim Financial Reporting* this is relevant for a complete set of financial statements, for condensed financial statements refer to selected explanatory notes.

³ See *Corporation Act 2001* section 309 (4)

36. The auditor's report shall include a section with a heading "Responsibilities of Management for the Financial Report". The auditor's review 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. This section of the report shall describe the responsibilities of management for the preparation of 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.
37. When the financial report is prepared in accordance with a fair presentation framework, the description of responsibilities of management for the financial report in the auditor's review 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.
38. The report shall include a section with a heading "Auditor's Responsibilities for the Review of the Financial Report". This section of the report shall:
- (a) State that the auditor is responsible for expressing a conclusion on the financial report based on the review;
 - (b) State that a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures; and
 - (c) State that a review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable the auditor to obtain assurance that the auditor would become aware of all significant matters that might be identified in an audit, and that accordingly no audit opinion is expressed;
39. The report shall include:
- (a) The date the auditor signs the auditor's review report;
 - (b) The location in the country or jurisdiction where the auditor practices;
 - (c) The name of the engagement partner where required by law or regulation⁴; and
 - (d) The auditor's signature.

Departure from the Applicable Financial Reporting Framework

40. The auditor shall express a qualified or adverse conclusion when a matter has come to the auditor's attention that causes the auditor to believe that a material adjustment should be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework. The auditor shall amend the heading "Basis for Conclusion" to "Basis for Qualified Conclusion" or "Basis for Adverse Conclusion" and describe the nature of the departure and, if practicable, state the effects on the financial report. If the effects or possible effects are incapable of being measured reliably, a statement to that effect and the reasons therefore shall be included in the Basis for Qualified Conclusion or Basis for Adverse Conclusion section of the report. The conclusion paragraph shall be headed "Qualified Conclusion" or "Adverse Conclusion" whichever is relevant. (Ref: Para. A45)

⁴ Consistent with ASA 700 paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to sign the auditor's review 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.

41. When the effect of the departure is so material and pervasive to the financial report that the auditor concludes a qualified conclusion is not adequate to disclose the misleading or incomplete nature of the financial report, the auditor shall express an adverse conclusion. (Ref: Para. A46)

Limitation on Scope (Ref: Para. A47)

42. When the auditor is unable to complete the review, the auditor shall communicate, in writing, to the appropriate level of management and to those charged with governance the reason why the review cannot be completed, and consider whether it is appropriate to issue a review report.

Limitation on Scope Imposed by Management

43. Unless required by law or regulation, an auditor shall not accept an engagement to review a financial report when management has imposed a limitation on the scope of the auditor's review. (Ref: Para. A48)
44. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor shall request management to remove the limitation. If management refuses the auditor's request to remove the limitation, the auditor shall communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. (Ref: Para. A49)
45. If management and, where appropriate, those charged with governance, refuses the auditor's request to remove a limitation that has been imposed on the scope of the review, but there is a legal or regulatory requirement for the auditor to issue a report, the auditor shall issue a disclaimer of conclusion or qualified conclusion report, as appropriate, containing the reason(s) why the review cannot be completed. (Ref: Para A50)
46. When the auditor disclaims a conclusion on the financial report, the auditor shall not include the elements required by paragraph 35(b).
47. When the auditor disclaims a conclusion on the financial report, the auditor shall amend the description of the auditor's responsibilities required by paragraph 38 to include only:
- (a) A statement that the auditor's responsibility is to conduct a review of the entity's financial report in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*;
 - (b) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Conclusion section, the auditor was not able to obtain sufficient evidence to provide a basis for a review conclusion on the financial report.
 - (c) The statement about auditor independence and other ethical responsibilities required by paragraph 35(c).

Other Limitations on Scope Not Imposed by Management (Ref: Para. A51-A52)

48. The auditor shall express a qualified conclusion when, in rare circumstances, there is a limitation on the scope of the auditor's work that is confined to one or more specific matters, which while material, is not in the auditor's judgement pervasive to the financial report, and when the auditor concludes that an unqualified conclusion cannot be expressed. A qualified conclusion shall be expressed as being "except for" the effects of the matter to which the qualification relates. The conclusion paragraph shall be headed "Qualified Conclusion".

Going Concern and Material Uncertainties (Ref: Para. A53-A54)

Use of going concern basis of accounting is appropriate

49. If adequate disclosure about the material uncertainty is made in the financial report, the auditor shall express an unmodified review conclusion and the auditor's review report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" to highlight a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern. This section shall:
 - (a) Draw attention to the note in the financial report that discloses the matter;
 - (b) State that the events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the auditor's conclusion is not modified in respect of the matter.
50. If a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern is not adequately disclosed in the financial report, the auditor shall:
 - (a) Express a qualified or adverse conclusion, as appropriate; and
 - (b) In the Basis for Qualified or Adverse Conclusion section of the auditor's review report, state that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the financial report does not adequately disclose this matter.

Use of going concern basis of accounting is inappropriate

51. If the financial report has been prepared using the going concern basis of accounting but, in the auditor's judgement, management's use of the going concern basis of accounting in the preparation of the financial report is inappropriate, the auditor shall express an adverse conclusion.

Emphasis of Matter Paragraph (Ref: A56 and A57)

52. The auditor shall consider including an Emphasis of Matter paragraph in the auditor's review report to draw users' attention to a matter presented or disclosed in the financial report that, in the auditor's judgement, is of such importance that it is fundamental to users' understanding of the financial report.
53. When the auditor includes an Emphasis of Matter paragraph in the auditor's review report the auditor shall:
 - (a) Include the paragraph within a separate section of the auditor's review report with an appropriate heading that includes the term "Emphasis of Matter";
 - (b) Include a clear reference to the matter being emphasised and to where relevant disclosures that fully describe the matter can be found in the financial report. The paragraph shall refer only to information presented or disclosed in the financial report; and
 - (c) Indicate that the auditor's review conclusion is not modified in respect of the matter emphasised.

Other Matter Paragraph

54. The auditor shall consider including an Other Matter paragraph in the auditor's review report to communicate a matter other than those that are presented or disclosed in the financial report, that in the auditor's judgement is relevant to users' understanding of

Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Independent Auditor of the Entity

the review, the auditor's responsibilities, or the auditor's review report, if not prohibited by law or regulation. When including an Other Matter paragraph in the auditor's review report, the auditor shall include a separate section with the heading "Other Matter", or other appropriate heading.

Documentation (Ref: Para. A64)

55. The auditor shall prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion, and to provide evidence that the review was performed in accordance with this Auditing Standard and applicable legal and regulatory requirements.

* * *

Application and Other Explanatory Material

Objective (Ref: Para. 4)

- A1. Under paragraph 13, the auditor needs to make enquiries, and perform analytical and other review procedures in order to reduce to a limited level the risk of expressing an inappropriate conclusion when the financial report is materially misstated.
- A2. The objective of a review of a financial report differs significantly from that of an audit conducted in accordance with Australian Auditing Standards. A review of a financial report does not provide a basis for expressing an opinion whether the financial report gives a true and fair view, or is presented fairly, or has not been prepared, in all material respects, in accordance with the applicable financial reporting framework.
- A3. A review, in contrast to an audit, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review may bring significant matters affecting the financial report to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

Performing a Review (Ref: Para 6)

- A4. Through performing the audit of the annual financial report, the auditor obtains an understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the financial report, under paragraph 13, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of a financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410*, as the practitioner ordinarily does not have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity.

Although other Auditing Standards do not apply to review engagements, they include guidance which may be helpful to auditors performing reviews covered by this Auditing Standard.

General Principles of a Review of a Financial Report

- A5. Relevant ethical requirements⁵ govern the auditor's professional responsibilities in the following areas: independence, integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour. (Ref: Para. 8)
- A6. The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring. ASQC 1 and ASA 220⁶ include guidance that may be helpful. (Ref: Para. 9)
- A7. An attitude of professional scepticism denotes that the auditor makes a critical assessment, with a questioning mind, of the validity of evidence obtained and is alert to evidence that

* See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.

⁵ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

⁶ See ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

contradicts or brings into question the reliability of documents or representations by management of the entity. ASA 200 includes guidance which may be helpful.* (Ref: Para. 10)

Agreeing the Terms of the Engagement

- A8. Written agreement of the terms of the engagement helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, the responsibilities of management and, where appropriate, those charged with governance, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. The communication ordinarily covers the following matters:
- (a) the objective of a review of a financial report;
 - (b) the scope of the review;
 - (c) the responsibilities of management and, where appropriate, those charged with governance for:
 - (i) the preparation of the financial report in accordance with the applicable financial reporting framework including where relevant their fair presentation;
 - (ii) establishing and maintaining effective internal control relevant to the preparation of the financial report; and
 - (iii) making all financial records and related information available to the auditor;
 - (d) agreement from management and, where appropriate, those charged with governance:
 - (i) to provide written representations to the auditor to confirm representations made orally during the review, as well as representations that are implicit in the entity's records; and
 - (ii) that where any document containing the financial report indicates that the financial report has been reviewed by the entity's auditor, the auditor's review report also will be included in the document; and
 - (e) the anticipated form and content of the report to be issued, including the identity of the addressee of the report.

An illustrative engagement letter is set out in Appendix 1. The terms of engagement to review a financial report can also be combined with the terms of engagement to audit the annual financial report. ASA 210 includes guidance which may be helpful.* (Ref: Para. 12)

Procedures for a Review of a Financial Report

Understanding the Entity and its Environment, Including its Internal Control

- A9. Under ASA 315 *Identifying and Assessing the Risks of Material Misstatement*, the auditor who has audited the entity's financial report for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the annual financial report, that was sufficient to conduct the audit. In planning a review of a financial report, the auditor needs to update this understanding. The auditor also needs to obtain a sufficient understanding of internal control as it relates to the

* See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

* See ASA 210 *Agreeing the Terms of Audit Engagements*.

preparation of the financial report subject to review, as it may differ from internal control as it relates to the preparation of the annual financial report. (Ref: Para. 13)

- A10. The auditor needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied. (Ref: Para. 13)
- A11. The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:
- (a) reading the documentation, to the extent necessary, of the preceding year's audit, reviews of prior period(s) of the current year, and corresponding period(s) of the prior year, to enable the auditor to identify matters that may affect the current-period financial report;
 - (b) considering any significant risks, including the risk of management override of controls, that were identified in the audit of the prior year's financial report;
 - (c) reading the most recent annual and comparable prior period financial report;
 - (d) considering materiality with reference to the applicable financial reporting framework as it relates to the financial report, to assist in determining the nature and extent of the procedures to be performed and evaluating the effect of misstatements;
 - (e) considering the nature of any corrected material misstatements and any identified uncorrected immaterial misstatements in the prior year's financial report;
 - (f) considering significant financial accounting and reporting matters that may be of continuing significance, such as material weaknesses in internal control;
 - (g) considering the results of any audit procedures performed with respect to the current year's financial report;
 - (h) considering the results of any internal audit performed and the subsequent actions taken by management;
 - (i) enquiring of management about the results of management's assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (j) enquiring of management about the effect of changes in the entity's business activities;
 - (k) enquiring of management about any significant changes in internal control and the potential effect of any such changes on the preparation of the financial report; and
 - (l) enquiring of management of the process by which the financial report has been prepared and the reliability of the underlying accounting records to which the financial report is agreed or reconciled. (Ref: Para. 13)
- A12. The auditor needs to determine the nature of the review procedures, if any, to be performed for components and, where applicable, communicate these matters to other auditors involved in the review. Factors considered ordinarily include the materiality of, and risk of misstatement in, the financial information of the component, and the auditor's understanding of the extent to which internal control over the preparation of such financial information is centralised or decentralised. (Ref: Para. 13)
- A13. Obtaining an understanding of the entity and its environment enables the auditor to focus the enquiries made, and the analytical and other review procedures applied in performing a review

of the financial report in accordance with this Auditing Standard. As part of obtaining this understanding, ordinarily the auditor makes enquiries of the predecessor auditor and, where practicable, reviews the predecessor auditor's documentation for the preceding annual audit and for any prior periods in the current year that have been reviewed by the predecessor auditor. In doing so, ordinarily the auditor considers the nature of any corrected misstatements, and any uncorrected misstatements aggregated by the auditor, any significant risks, including the risk of management override of controls, and significant accounting and any reporting matters that may be of continuing significance, such as material weaknesses in internal control. (Ref: Para. 14)

Materiality (Ref: Para. 15)

- A14. The auditor needs to use professional judgement and consider qualitative and quantitative factors in determining materiality.
- A15. Ordinarily, the auditor's consideration of materiality for a review of a financial report is based on the period financial data and accordingly, materiality based on interim period financial data may be less than materiality for annual financial data. If the entity's business is subject to cyclical variations or if the financial results for the current period show an exceptional decrease or increase compared to prior periods and expected results for the current year, the auditor may, for example, conclude that materiality is more appropriately determined using a normalised figure for the period.
- A16. The auditor's consideration of materiality, in evaluating the effects of misstatements, is a matter of professional judgement and is affected by the auditor's perception of the financial information needs of users of the financial report.
- A17. If the applicable financial reporting framework contains a definition of materiality, it will ordinarily provide a frame of reference to the auditor when determining materiality for planning and performing the review.
- A18. The auditor needs, when relevant, to consider materiality from the perspective of both the entity and the consolidated entity.

Enquiries, Analytical and Other Review Procedures

- A19. A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied. (Ref: Para. 16)
- A20. The auditor ordinarily performs the following procedures:
- (a) Reading the minutes of the meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial report, and enquiring about matters dealt with at meetings for which minutes are not available that may affect the financial report.
 - (b) Considering the effect, if any, of matters giving rise to a modification of the audit or auditor's review report, accounting adjustments or unadjusted misstatements, at the time of the previous audit or reviews.
 - (c) Communicating, where appropriate, with other auditors who are performing a review of the financial report of the entity's significant components.

- (d) Enquiring of members of management responsible for financial and accounting matters, and others as appropriate, about the following:
- (i) whether the financial report has been prepared and presented in accordance with the applicable financial reporting framework;
 - (ii) whether there have been any changes in accounting principles or in the methods of applying them;
 - (iii) whether any new transactions have necessitated the application of a new accounting principle;
 - (iv) whether the financial report contains any known uncorrected misstatements;
 - (v) unusual or complex situations that may have affected the financial report, such as a business combination or disposal of a segment of the business;
 - (vi) significant assumptions that are relevant to the fair value measurement or disclosures and management's intention and ability to carry out specific courses of action on behalf of the entity;
 - (vii) whether related party transactions have been appropriately accounted for and disclosed in the financial report;
 - (viii) significant changes in commitments and contractual obligations;
 - (ix) significant changes in contingent assets and contingent liabilities including litigation or claims;
 - (x) compliance with debt covenants;
 - (xi) matters about which questions have arisen in the course of applying the review procedures;
 - (xii) significant transactions occurring in the last several days of the period or the first several days of the next period;
 - (xiii) knowledge of any fraud or suspected fraud affecting the entity involving:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial report; and
 - (xiv) knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial information communicated by employees, former employees, analysts, regulators or others; and
 - (xv) knowledge of any actual or suspected non-compliance with laws and regulations that could have a material effect on the financial report. If the auditor becomes aware of any actual or suspected non-compliance with laws and regulations *ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report* provides guidance. (Ref: Para. 20)
- (e) Applying analytical procedures to the financial report designed to identify relationships and individual items that appear to be unusual and that may reflect a material misstatement in the financial report. Analytical procedures may include ratio analysis and statistical techniques such as trend analysis or regression analysis and

may be performed manually or with the use of computer-assisted auditing techniques. Appendix 2 to this Auditing Standard contains examples of analytical procedures the auditor may consider when performing a review of a financial report.

- (f) Reading the financial report and considering whether anything has come to the auditor's attention that causes the auditor to believe that the financial report is not in accordance with the applicable financial reporting framework. (Ref: Para. 16)
- A21. The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the financial report. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the period. Performing some of the review procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial report. (Ref: Para. 16)
- A22. The auditor performing a review of the financial report is also the auditor of the annual financial report of the entity. For convenience and efficiency, the auditor may decide to perform certain audit procedures concurrently with the review of the financial report. For example, information gained from reading the minutes of meetings of the board of directors in connection with the review of the financial report may also be used for the annual audit. The auditor may decide also to perform, at the time of the review, auditing procedures that would need to be performed for the purpose of the audit of the annual financial report, for example, performing auditing procedures on:
- (a) significant or unusual transactions that occurred during the period, such as business combinations, restructurings, or significant revenue transactions; or
 - (b) opening balances (when applicable). (Ref: Para. 16)
- A23. A review of a financial report ordinarily does not require corroborating the enquiries about litigation or claims. It is, therefore, ordinarily not necessary to send an enquiry letter to the entity's lawyer. Direct communication with the entity's lawyer with respect to litigation or claims, or alternative procedures, may, however, be appropriate if a matter comes to the auditor's attention that causes the auditor to question whether the financial report is in accordance with the applicable financial reporting framework. (Ref: Para. 16)
- A24. The auditor may obtain evidence that the financial report agrees or reconciles with the underlying accounting records by tracing the financial report to:
- (a) the accounting records, such as the general ledger, or a consolidating schedule that agrees or reconciles with the accounting records; and
 - (b) other supporting data in the entity's records as necessary. (Ref: Para. 17)
- A25. The auditor need not perform procedures to identify events occurring after the date of the auditor's review report. (Ref: Para. 18)
- A26. Events or conditions which may cast significant doubt on the entity's ability to continue as a going concern may have existed at the date of the annual financial report, or may be identified as a result of enquiries of management or in the course of performing other review procedures. When such events or conditions come to the auditor's attention, the auditor needs to enquire of those charged with governance as to their plans for future action, such as their plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital. The auditor needs to enquire also as to the feasibility of the plans of those charged with governance and whether they believe that the outcome of these plans will improve the situation. Ordinarily, the auditor considers, based on procedures performed, whether it is necessary to corroborate the feasibility of the plans of those charged with governance and whether the outcome of these plans will improve the situation. (Ref: Para. 19)

- A27. For example, if the auditor's review procedures lead the auditor to question whether a significant sales transaction is recorded in accordance with the applicable financial reporting framework, the auditor performs additional procedures sufficient to resolve the auditor's questions, such as discussing the terms of the transaction with senior marketing and accounting personnel or reading the sales contract. (Ref: Para. 21)

Comparatives – First Financial Report (Ref: Para. 22)

- A28. When comparative information is included in the first financial report and the auditor is unable to obtain sufficient appropriate review evidence to achieve the review objective, a limitation on the scope of the review exists and the auditor needs to modify the auditor's review report. Ordinarily, a restriction on the scope of the auditor's work will result in a qualified ("except for") conclusion. In such cases, ordinarily an auditor encourages clear disclosure in the financial report, that the auditor has been unable to review the comparatives.
- A29. When comparative information is included in the first financial report and the auditor believes a material adjustment should be made to the financial report, under paragraph 39, the auditor needs to modify the auditor's review report.
- A30. When an entity has come into existence only within the first financial reporting period, comparative information will not be provided in the first financial report and no modified auditor's review report is required.
- A31. Accounting Standard AASB 101 *Presentation of Financial Statements* provides requirements and explanatory guidance relating to comparative information included in a financial report prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 1 *First-time Adoption of Australian Accounting Standards* provides requirements and guidance relating to comparative information when an entity adopts Australian Accounting Standards for the first time.

Evaluation of Misstatements (Ref: Para. 23)

- A32. A review of a financial report, in contrast to an audit engagement, is not designed to obtain reasonable assurance that the financial report is free from material misstatement. However, misstatements which come to the auditor's attention, including inadequate disclosures, need to be evaluated individually and in the aggregate to determine whether a material adjustment is required to be made to the financial report for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework.
- A33. The auditor needs to exercise professional judgement in evaluating the materiality of any misstatements that the entity has not corrected. Ordinarily, the auditor considers matters such as the nature, cause and amount of the misstatements, whether the misstatements originated in the preceding year or current year, and the potential effect of the misstatements on future interim or annual periods.
- A34. The auditor may designate an amount below which misstatements need not be aggregated, because the auditor expects that the aggregation of such amounts clearly would not have a material effect on the financial report. In so doing, under paragraph 15, the auditor needs to consider the fact that the determination of materiality involves quantitative as well as qualitative considerations and that misstatements of a relatively small amount could nevertheless have a material effect on the financial report.

Written Representations

- A35. The auditor needs to endeavour to obtain additional representations as are appropriate to matters specific to the entity's business or industry. An illustrative representation letter is set out in Appendix 1. (Ref: Para. 24)

Auditor's Responsibility for Other Information

- A36. An auditor conducting a review engagement under this auditing standard is not required to comply with ASA 720*, however ASA 720 includes guidance which may be useful. ASA 720 requires the auditor to read the other information that accompanies the financial report to consider whether there is a material inconsistency with the financial report. If the auditor identifies a material inconsistency, the auditor needs to consider whether the financial report or the other information needs to be amended. If an amendment is necessary in the financial report and those charged with governance refuse to make the amendment, the auditor needs to consider the implications for the auditor's review report. If an amendment is necessary in the other information and those charged with governance refuse to make the amendment, the auditor may consider including an Other Information paragraph in the auditor's review report and describe the material misstatement. For example, those charged with governance may present alternative measures of earnings that more positively portray financial performance than the financial report, and such alternative measures are given excessive prominence, or are not clearly defined, or not clearly reconciled to the financial report such that they are confusing and potentially misleading. (Ref: Para. 26)
- A37. For a review of a half-year financial report under the *Corporations Act 2001* (Act), withholding the issuance of the auditor's review report and/or withdrawing from the review engagement are not options available under the Act. (Ref: Para. 30)
- A38. While reading the other information for the purpose of identifying material inconsistencies, an apparent material misstatement of fact may come to the auditor's attention (that is, information, not related to matters appearing in the financial report, that is incorrectly stated or presented). When discussing the matter with the entity's management, ordinarily the auditor considers the validity of the other information and management's responses to the auditor's enquiries, whether valid differences of judgement or opinion exist and whether to request management to consult with a qualified third party to resolve the apparent misstatement of fact. If an amendment is necessary to correct a material misstatement of fact and management refuses to make the amendment, ordinarily the auditor considers taking further action as appropriate, such as notifying those charged with governance and, if necessary, obtaining legal advice, and considering the implications for the auditor's review report. ASA 720* includes guidance which may be beneficial. (Ref: Para. 27)

Communication

- A39. Communications with management and/or those charged with governance are made as soon as practicable, either orally or in writing. The auditor's decision whether to communicate orally or in writing ordinarily is affected by factors such as the nature, sensitivity and significance of the matter to be communicated and the timing of the communications. If the information is communicated orally, under paragraph 55, the auditor needs to document the communication. (Ref: Para. 28 and 31)
- A40. The determination of which level of management may also be informed is affected by the likelihood of collusion or the involvement of a member of management. Refer to ASA 250 for further guidance which may be helpful. (Ref: Para. 31)
- A41. Law or regulation may restrict the auditor's communication of certain matters with management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report identified or suspected non-compliance with laws and regulation to an appropriate authority pursuant to anti-money laundering legislation. In these

* See ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice. ASA 250 includes guidance which may be helpful, including where there may be additional communication required.⁷ (Ref: Para. 31)

- A42. As a result of performing a review of a financial report, the auditor may become aware of matters that in the opinion of the auditor are both important and relevant to those charged with governance in overseeing the financial reporting and disclosure process. (Ref: Para. 32)

Reporting the Nature, Extent and Results of the Review of a Financial Report (Ref: Para. 33-34)

- A43. Appendix 4 contains illustrations of the auditor's review reports incorporating the elements in paragraphs 33 to 50. With the exception of the Conclusion and Basis for Conclusion sections, this Auditing Standard does not establish requirements for ordering the elements of the auditor's review report. This Auditing Standard requires the use of specific headings, which are intended to assist in making reports more consistent and recognisable. Also refer to A55 and A56 for guidance on the ordering of the review report.
- A44. Paragraph 34 (f) includes the conclusion required for reviews of financial reports conducted in accordance with the *Corporations Act 2001*, other financial reports prepared under a fair presentation framework and a compliance framework. In some cases, law or regulation governing the review of a financial report may prescribe wording for the auditor's conclusion that is different from the wording described in paragraph 34(f). Although the auditor may be obliged to use the prescribed wording, the auditor's responsibilities as described in this Auditing Standard for coming to the conclusion remain the same. ASA 700 includes guidance which may be helpful.⁸ Illustrative auditor's review reports are set out in Appendices 3 and 4.

Departure from the Applicable Financial Reporting Framework (Ref: Para. 40-41)

- A45. If matters have come to the auditor's attention that cause the auditor to believe that the financial report is or may be materially affected by a departure from the applicable financial reporting framework, and those charged with governance do not correct the financial report, the auditor needs to modify the auditor's review report. If the information that the auditor believes is necessary for adequate disclosure is not included in the financial report, the auditor needs to modify the auditor's review report and, if practicable, include the necessary information in the auditor's review report. Refer to ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* and ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* for guidance as to appropriate wording to use when issuing a modified conclusion. Also illustrative auditor's review reports with a qualified conclusion are set out in Appendix 4.
- A46. Departures from the applicable financial reporting framework, may result in an adverse conclusion. An illustrative auditor's review report with an adverse conclusion is set out in Appendix 4.

Limitation on Scope (Ref: Para. 42)

- A47. Ordinarily, a limitation on scope prevents the auditor from completing the review.

Limitation on Scope Imposed by Management

- A48. The auditor needs to refuse to accept an engagement to review a financial report if the auditor's preliminary knowledge of the engagement circumstances indicates that the auditor would be unable to complete the review because there will be a limitation on the scope of the auditor's review imposed by management of the entity. (Ref: Para. 43)

⁷ See ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*.

⁸ See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

- A49. If, after accepting the engagement, management imposes a limitation on the scope of the review, the auditor needs to request the removal of that limitation. If management refuses to do so, the auditor is unable to complete the review and express a conclusion. In such cases, the auditor needs to communicate, in writing, to the appropriate level of management and those charged with governance, the reason(s) why the review cannot be completed. Nevertheless, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework, under paragraphs 27, 28 and 30, the auditor needs to communicate such matters to the appropriate level of management and, where appropriate, those charged with governance. (Ref: Para. 44)
- A50. The auditor needs to consider the legal and regulatory requirements, including whether there is a legal requirement for the auditor to issue a report. If there is such a requirement, the auditor needs to disclaim a conclusion and provide in the auditor's review report the reason why the review cannot be completed. However, if a matter comes to the auditor's attention that causes the auditor to believe that a material adjustment to the financial report is necessary for it to be prepared, in all material respects, in accordance with the applicable financial reporting framework the auditor needs to communicate such a matter in the report. (Ref: Para. 45)

Other Limitations on Scope Not Imposed by Management (Ref: Para. 48)

- A51. A limitation on scope may occur due to circumstances other than a limitation on scope imposed by management or those charged with governance. In such circumstances, the auditor is ordinarily unable to complete the review and express a conclusion, and is guided by paragraphs 39 and 49. There may be, however, some rare circumstances where the limitation on the scope of the auditor's work is clearly confined to one or more specific matters that, while material, are not in the auditor's judgement pervasive to the financial report. In such circumstances, the auditor needs to modify the auditor's review report by indicating that, except for the effects of the matter which is described in the Basis for Qualified Conclusion section of the auditor's review report, and the review was conducted in accordance with *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*. Illustrative auditor's review reports with a qualified conclusion are set out in Appendix 4.
- A52. The auditor may have expressed a qualified opinion on the audit of the latest annual financial report because of a limitation on the scope of that audit. The auditor needs to consider whether that limitation on scope still exists and, if so, the implications for the auditor's review report.

Going Concern and Material Uncertainties (Ref: Para. 49 and 50)

- A53. The auditor may have alerted users to the existence of a material uncertainty relating to an event or condition that casts significant doubt on the entity's ability to continue as a going concern by adding a separate section under the heading Material Uncertainty Related to Going Concern to a prior audit or auditor's review report. If the material uncertainty still exists and adequate disclosure is made in the financial report, the auditor needs to continue to alert users by adding a "Material Uncertainty Related to Going Concern" section to the auditor's review report to highlight the continued material uncertainty.
- A54. If, as a result of enquiries or other review procedures, a material uncertainty relating to an event or condition comes to the auditor's attention that casts significant doubt on the entity's ability to continue as a going concern, and adequate disclosure is made in the financial report, the auditor alerts users by adding a "Material Uncertainty Related to Going Concern" section to the auditor's review report.
- A55. A Material Uncertainty Related to Going Concern section is preferably included after the Basis for Conclusion paragraph. *ASA 570 Going Concern* provides information that the auditor may find helpful in considering going concern in the context of the review engagement.

Emphasis of Matter Paragraphs

- A56. Ordinarily, a significant uncertainty in relation to any other matter, the resolution of which may materially affect the financial report, would warrant an emphasis of matter paragraph in the auditor's review report. An emphasis of matter paragraph is preferably included after the Basis for Conclusion paragraph, or after the Material Uncertainty Related to Going Concern section if relevant.
- A57. The auditor's review report on special purpose financial statements shall include an Emphasis of Matter paragraph alerting users of the assurance practitioner's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose.

Other Considerations

- A58. The terms of the engagement include agreement by those charged with governance that, where any document containing a financial report indicates that the financial report has been reviewed by the entity's auditor, the auditor's review report will be also included in the document. If those charged with governance have not included the auditor's review report in the document, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances. (Ref: Para. 12)
- A59. If the auditor has issued a modified auditor's review report and those charged with governance issue the financial report without including the modified auditor's review report in the document containing the financial report, ordinarily the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual financial report.

Considerations Specific to Public Sector Entities

- A60. The auditor needs to communicate the terms of engagement to the entity subject to the review. When communicating the terms of engagement, an engagement letter helps to avoid misunderstandings regarding the nature of the engagement and, in particular, the objective and scope of the review, management's responsibilities, the extent of the auditor's responsibilities, the assurance obtained, and the nature and form of the report. Law or regulation governing review engagements in the public sector ordinarily mandates the appointment of the auditor. Nevertheless, an engagement letter setting out the matters referred to in paragraph A8 may be useful to both the public sector auditor and the client. Public sector auditors, therefore, consider agreeing with the client the terms of a review engagement by way of an engagement letter. (Ref: Para. 12)
- A61. In the public sector, the auditor's statutory audit obligation may extend to other work, such as a review of interim financial information.
- A62. Where this is the case, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position not to accept, or to withdraw from a review engagement. The public sector auditor also may not be in the position to resign from the appointment to audit the annual financial report. (Ref: Para. 30(b)-30(c) and 37)
- A63. The auditor needs to communicate to those charged with governance and consider the implications for the review when a matter comes to the auditor's attention that causes the auditor to believe in the existence of fraud or actual or suspected non-compliance by the entity with laws and regulations. In the public sector, the auditor may be subject to statutory or other regulatory requirements to report such a matter to regulatory or other public authorities. (Ref: Para. 32)

Documentation (Ref: Para. 55)

- A64. The auditor needs to prepare documentation that enables an experienced auditor having no previous connection with the engagement to understand the nature, timing and extent of the enquiries made and analytical and other review procedures applied, information obtained, and any significant matters considered during the performance of the review, including the disposition of such matters.

Appendix 1

(Ref: Para. A8)

EXAMPLE OF AN ENGAGEMENT LETTER FOR A REVIEW OF A FINANCIAL REPORT

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*.

To [those charged with governance:⁹]

Scope

You have requested that we review the half-year financial report¹⁰ of [name of entity], which comprises the statement of financial position as at 31 December 20XX, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month¹¹ period ended on that date, and notes comprising significant accounting policies and other explanatory information and the directors' declaration. We are pleased to confirm our acceptance and our understanding of the terms and objectives of our engagement by means of this letter.

Our review will be conducted in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* with the objective of providing us with a basis for reporting whether we have become aware of any matter that makes us believe that the half-year financial report does not comply with the *Corporations Act 2001*, including giving a true and fair view of the financial position and its performance, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulation 2001*.¹² Such a review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures and does not, ordinarily, require corroboration of the information obtained. The scope of a review of a financial report is substantially less than the scope of an audit conducted in accordance with Auditing Standards whose objective is the expression of an opinion regarding the financial report and accordingly, we shall express no such opinion. ASRE 2410 requires us to also comply with the ethical requirements relevant to the audit of the annual financial report of the entity.

We expect to report on the half-year financial report¹³ as follows:

[Include text of sample auditor's review report - see Appendix 3 or 4 as appropriate.]

The directors [those charged with governance¹⁴] of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year 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 [those charged with governance] determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. As part of our review, we shall request written representations from management concerning assertions made in connection with the review. We shall also request that where any document containing the half-year financial report indicates that the half-year financial report has been reviewed, our review report will also be included in the document.

⁹ Insert the appropriate term, such as "Directors' or 'Board of Management".

¹⁰ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹¹ If the period being reviewed is other than six months, then this should be amended as appropriate.

¹² Amend as appropriate - refer paragraph 34 (f)

¹³ If the term "half-year financial report" is not appropriate, then this term should be changed to reflect the report being reviewed.

¹⁴ Insert the appropriate term, such as "Directors or Board of Management".

The directors [those charged with governance] of the [company/registered scheme/disclosing entity] acknowledge and understand they have responsibility to provide us with:

- (i) access to information relevant to the preparation of the half-year financial report;
- (ii) additional information that we may request for the purposes of the review engagement; and
- (iii) unrestricted access to persons from whom we determine it is necessary to obtain evidence.

A review of the half-year financial report does not provide assurance that we shall become aware of all significant matters that might be identified in an audit. Further, our engagement cannot be relied upon to disclose whether fraud or errors, or illegal acts exist. However, we shall inform you of any material matters that come to our attention.

Independence

We confirm that, to the best of our knowledge and belief, we currently meet the independence requirements of the *Corporations Act 2001* and the Accounting Professional and Ethics Standard Board APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (The Code) in relation to the review of the half-year financial report. In conducting our review of the half-year financial report, should we become aware that we have contravened the independence requirements of the *Corporations Act 2001*, we shall notify you on a timely basis. As part of our review process, we shall also provide you with a written independence declaration as required by the *Corporations Act 2001*.

The *Corporations Act 2001* includes specific restrictions on the employment relationships that can exist between the reviewed entity and its auditors. To assist us in meeting the independence requirements of the *Corporations Act 2001*, and to the extent permitted by law and regulation, we request you discuss with us:

- The provision of services offered to you by [insert firm name] prior to engaging or accepting the service; and
- The prospective employment opportunities of any current or former partner or professional employee of [insert firm name] prior to the commencement of formal employment discussions with the current or former partner or professional employee.

Presentation of the reviewed half-year financial report in electronic format

It is our understanding that [the entity] intends to publish a hard copy of the reviewed half-year financial report and the auditor's review report for members, and to electronically present the reviewed half-year financial report and the auditor's review report on its internet web site. When information is presented electronically on a web site, the security and controls over information on the web site should be addressed by [the entity] to maintain the integrity of the data presented. The examination of the controls over the electronic presentation of reviewed financial information on the entity's web site is beyond the scope of the review of the half-year financial report. Responsibility for the electronic presentation of the half-year financial report on the entity's web site is that of the [governing body of the entity].

Fees

[Insert additional information here regarding fee arrangements and billings, as appropriate.]

We look forward to full co-operation with your staff and we trust that they will make available to us whatever records, documentation and other information are requested in connection with our review.

Auditing Standard on Review Engagements ASRE 2410
Review of a Financial Report Performed by the Independent Auditor of the Entity

[This letter will be effective for future years unless it is terminated, amended or superseded.¹⁵]

Please sign and return the attached copy of this letter to indicate that it is in accordance with your understanding of the arrangements for our review of the half-year financial report.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [entity] by

(signed)

.....

Name and Title

Date

¹⁵ Use if applicable.

EXAMPLE OF A REPRESENTATION LETTER

The following letter is not intended to be a standard letter. It is to be used as a guide only and will need to be adapted according to individual requirements and circumstances. This illustrative letter is written in the context of a half-year financial report under the *Corporations Act 2001*. Refer to paragraph 24 of this Auditing Standard for required representations.

Representations by management will vary from one entity to another and from one period to the next. Representation letters are ordinarily useful where evidence, other than that obtained by enquiry, may not be reasonably expected to be available or when management have made oral representations which the auditor wishes to confirm in writing.

[Entity Letterhead]

[Addressee – Auditor]

[Date]

This representation letter is provided in connection with your review of the half-year¹⁶ financial report¹⁷ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether you became aware of any matter in the course of the review that makes you believe that the half-year financial report does not comply with the *Corporations Act 2001*.

We acknowledge our responsibility for ensuring that the half-year financial report complies with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the [company/entity]'s financial position as at [date] and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

We confirm that the half-year financial report is prepared and presented in accordance with the *Corporations Act 2001* and is free of material misstatements, including omissions.

OR

[This representation letter is provided in connection with your review of the financial report¹⁸ of [name of entity] for the [period] ended [date], for the purpose of you expressing a conclusion as to whether anything has come to your attention that causes you to believe that the financial report does present fairly, in all material respects¹⁹, in accordance with [the applicable financial reporting framework²⁰].

We acknowledge our responsibility for ensuring that the financial report is in accordance with [applicable financial reporting framework].

We confirm that the financial report is prepared and presented fairly in accordance with [applicable financial reporting framework] and is free of material misstatements, including omissions].

We confirm, to the best of our knowledge and belief, the following representations made to you during your review.

[Include representations required by this Auditing Standard (paragraph 24) and those relevant to the entity. Such representations may include the following examples.]

¹⁶ If the period being reviewed is other than six months, then this should be amended as appropriate.

¹⁷ If the term “half-year financial report” is not appropriate, then this term should be changed to reflect the type of report being reviewed.

¹⁸ The term “financial report” should be changed to reflect the type of report being reviewed, as appropriate.

¹⁹ If a compliance framework are wording in paragraph 34(f)(iii).

²⁰ Specify the applicable financial reporting framework/requirements.

We have made available to you:

- (a) all financial records and related data, other information, explanations and assistance necessary for the conduct of the review; and
- (b) minutes of all meetings of [shareholders, directors, committees of directors, Boards of Management].

We have disclosed to you the results of our assessment of the risk that the [financial report] may be materially misstated as a result of fraud.

There:

- (a) has been no fraud or suspected fraud, error or non-compliance with laws and regulations involving management or employees who have a significant role in the internal control structure;
- (b) has been no fraud or suspected fraud, error or non-compliance with laws and regulations that could have a material effect on the financial report; and
- (c) have been no communications from regulatory agencies concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial report.

We are responsible for an adequate internal control structure to prevent and detect fraud and error and to facilitate the preparation of a reliable financial report, and adequate financial records have been maintained. There are no material transactions that have not been recorded properly in the accounting records underlying the financial report.

We have no plans or intentions that may affect materially the carrying values, or classification, of assets and liabilities.

We have considered the requirements of Accounting Standard AASB 136 *Impairment of Assets*, when assessing the impairment of assets and in ensuring that no assets are stated in excess of their recoverable amount.

We believe the effects of uncorrected misstatements summarised in the accompanying schedule are immaterial, both individually and in the aggregate, to the [half-year] financial report taken as a whole.

The following have been recorded and/or disclosed properly in the [half-year] financial report:

- (a) related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees (written or oral);
- (b) share options, warrants, conversions or other requirements;
- (c) arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements;
- (d) agreements to repurchase assets previously sold;
- (e) material liabilities or contingent liabilities or assets including those arising under derivative financial instruments;
- (f) unasserted claims or assessments that our lawyer(s) has advised us are probable of assertion;
- (g) losses arising from the fulfilment of, or an inability to fulfil, any sale commitments or as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices; and

- (h) all known actual or possible litigation and claims whose effects should be considered when preparing the financial report in accordance with the applicable financial reporting framework.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial report.

The entity has satisfactory title to all assets, and there are no liens or encumbrances on such assets that have not been disclosed nor has any asset been pledged as collateral. Allowances for depreciation have been adjusted for all important items of property, plant and equipment that have been abandoned or are otherwise unusable.

The entity has complied with all aspects of contractual agreements that would have a material effect on the financial report in the event of non-compliance.

There were no material commitments for construction or acquisition of property, plant and equipment or to acquire other non-current assets, such as investments or intangibles, other than those disclosed in the financial report.

We have no plans to abandon lines of product or other plans or intentions that will result in any excess or obsolete inventory, and no inventory is stated at an amount in excess of net realisable value.

No events have occurred subsequent to the balance sheet date through to the date of this letter that would require adjustment to, or disclosure in, the [financial report].

We understand that your examination was made in accordance with Auditing Standard on Review Engagements ASRE 2410 and was, therefore, designed primarily for the purpose of expressing a conclusion on the financial report of [the entity], and that your procedures were limited to those which you considered necessary for that purpose.

Yours faithfully

[Name of signing officer and title]

Notes:

[The above example representation letter may need to be amended in certain circumstances. The following illustrate some of those situations.]

Exceptions

Where matters are disclosed in the financial report, the associated representation needs to be amended, for example:

- If a subsequent event has been disclosed, Item 14 (above) could be modified to read:
“Except as discussed in Note X to the financial report, no events have occurred”
- If the entity has plans that impact the carrying values of assets and liabilities, Item 5 (above) could be modified to read:
“The entity has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities, except for our plan to dispose of segment X, as disclosed in note Y in the financial report, which is discussed in the minutes of the meeting of the governing body²¹ held on [date]”.

²¹ Insert the appropriate term, such as “Directors or Board of Management”.

Other Required Information

Certain entities may be required to include other information in the financial report, for example, performance indicators for government entities. In addition to identifying this information and the applicable financial reporting framework in paragraphs 1 and 2 of the example management representation letter, an additional paragraph similar to the following may be appropriate:

“The disclosures of key performance indicators have been prepared and presented in conformity with [relevant statutory requirements] and we consider the indicators reported to be relevant to the stated objectives of the [entity].”

Management’s Opinions and Representation in the Notes to the Financial Statements

Where the notes to the financial statements include opinions and representations by management, such matters may be addressed in the representation letter. For example, notes relating to the anticipated outcome of litigation, the intent and ability to hold long-term securities to maturity and plans necessary to support the going concern basis.

Environmental Matters

In situations where there are environmental matters that may, but probably will not, require an outflow of resources, this may be reflected in an addition to Item 9 (above), for example:

“However, the [entity] has received a notice from the Environmental Protection Agency that it may be required to share in the cost of clean-up of the [name] waste disposal site. This matter has been disclosed in Note A in the financial report and we believe that the disclosure and estimated contingent loss is reasonable based on available information.”

Compliance

If, as part of the review, the auditor is required also to report on the entity’s compliance with laws and regulations, a representation may be appropriate acknowledging that management is responsible for the entity’s compliance with applicable laws and regulations and that the requirements have been met. For example, for reviews under the *Corporations Act 2001*, the following paragraph may be added:

“The financial records of the [company, registered scheme or disclosing entity] have been kept so as to be sufficient to enable a financial report to be prepared and reviewed, and other records and registers required by the *Corporations Act 2001* have been kept properly and are up-to-date.

Other Matters

Additional representations that may be appropriate in specific situations may include the following:

- Justification for a change in accounting policy.
- The work of a management expert has been used.
- Arrangements for controlling the dissemination of the financial report and auditor’s review report on the Internet.

Appendix 2

(Ref: Para. A20)

ANALYTICAL PROCEDURES THE AUDITOR MAY CONSIDER WHEN PERFORMING A REVIEW OF A FINANCIAL REPORT

The analytical procedures carried out in a review of a financial report are determined by the auditor's judgement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

Examples of analytical procedures the auditor may consider when performing a review of a financial report include the following:

- Comparing the financial report with the financial report of the immediately preceding period, with the financial report of the corresponding period of the preceding financial year, with the financial report that was expected by management for the current period, and with the most recent audited annual financial report.
- Comparing the current financial report with anticipated results, such as budgets or forecasts. For example, comparing sources of revenue and the and the cost of sales in the current financial report with corresponding information in:
 - budgets, including expected gross margin(s); and
 - financial information for prior periods.
- Comparing the current financial report with relevant non-financial information.
- Comparing the recorded amounts, or ratios developed from recorded amounts, to expectations developed by the auditor. The auditor develops such expectations by identifying and applying relationships that reasonably are expected to exist based on the auditor's understanding of the entity and of the industry in which the entity operates.
- Comparing ratios and indicators for the current period with those of entities in the same industry.
- Comparing relationships among elements in the current financial report with corresponding relationships in the financial report of prior periods, for example, expense by type as a percentage of sales, assets by type as a percentage of total assets, and percentage of change in sales to percentage of change in receivables.
- Comparing disaggregated data. The following are examples of how data may be disaggregated:
 - by period, for example, revenue or expense items disaggregated into quarterly, monthly, or weekly amounts;
 - by product line or source of revenue;
 - by location, for example by component;
 - by attributes of the transaction, for example, revenue generated by designers, architects, or craftsmen; and
 - by several attributes of the transaction, for example, sales by product and month.

ILLUSTRATIVE DETAILED PROCEDURES THAT MAY BE PERFORMED IN AN ENGAGEMENT TO REVIEW A FINANCIAL REPORT

The enquiry, analytical and other procedures carried out in a review of a financial report are determined by the auditor exercising professional judgement in light of the auditor's assessment of the risk of material misstatement. The procedures listed below are for illustrative purposes only. It is not intended that all the procedures suggested apply to every review engagement. This Appendix is not intended to serve as a program or checklist in the conduct of a review.

General

1. Confirm that the engagement team complies with relevant independence and ethical requirements.
2. Prepare and send an engagement letter to the entity.
3. Discuss the terms and scope of the engagement with the engagement team.
4. Obtain or update knowledge and understanding of the business, the key internal and external changes (including laws and regulations), and their effect on the scope of the review, materiality and risk assessment. This can be performed through the following:
 - a. Ascertaining whether there have been any significant changes to the nature and scope of operations.
 - b. Considering the results and effects of previous audits and review engagements.
 - c. Enquiring of persons responsible for financial reporting in respect of matters that impact on the reliability of the underlying accounting records. For example, considering fraud risk, material weaknesses in internal controls and any significant changes to internal control policies and procedures
 - d. Considering the results of any internal audits performed and the subsequent actions taken by management.
 - e. Considering whether additional procedures will be required on any significant accounts where internal controls relating to significant processes have been historically unreliable in detecting and preventing errors in the financial report.
 - f. The auditor shall enquire of management and, where appropriate, those charged with governance, as to the existence of any actual or suspected non-compliance with provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements. Refer to ASA 250 for further guidance if considered appropriate.

Assess the relevance and impact of the results of the above procedures on the current period.

5. Determine materiality, exercising professional judgement, considering both qualitative and quantitative factors.
6. Enquire of persons responsible for financial reporting about the following:
 - a. Accounting policies adopted and consider whether:
 - i. they comply with the applicable financial reporting framework;
 - ii. they have been applied appropriately; and
 - iii. they have been applied consistently and, if not, consider whether disclosure has been made of any changes in the accounting policies.

- b. Policies and procedures used to assess asset impairment and any consequential estimation of recoverable amount.
 - c. The policies and procedures to determine the fair value of financial assets and financial liabilities.
 - d. New, unusual or complex situations that may have affected the financial report such as a business combination or disposal of a segment of the business. Consider adequacy of additional note disclosures in the financial report.
 - e. Plans to dispose of major assets or business segments.
 - f. Material off-balance sheet transactions, special purpose entities and other equity investments and related accounting treatment and disclosure.
 - g. Knowledge of any allegations of fraud, or suspected fraud.
 - h. Knowledge of any actual or possible significant non-compliance with laws and regulations.
 - i. Compliance with debt covenants.
 - j. Material or unusual related party transactions.
 - k. New or significant changes in commitments, contractual obligations.
7. Obtain and read the minutes of meetings of shareholders, those charged with governance and other appropriate committees to identify matters that may affect the financial report, and enquire about matters dealt with at meetings for which minutes are not yet available that may affect the financial report.
8. Enquire if actions taken at meetings of shareholders or those charged with governance that affect the financial report have been appropriately reflected therein.
9. Ensure the financial report is agreed to the trial balance including disclosures. If applicable, enquire as to whether all intercompany balances have been eliminated.
10. Review other information included in the financial report and document findings. Discuss any material misstatements of fact with the entity's management.

Cash

- 11. Obtain the bank reconciliations. Enquire about any old or unusual reconciling items with client personnel to assess reasonableness.
- 12. Enquire about transfers between cash accounts for the period before and after the review date.
- 13. Enquire whether there are any restrictions on cash accounts.

Revenue and Receivables

- 14. Enquire about the accounting policies for recognising sales revenue and trade receivables and determine whether they have been consistently and appropriately applied.
- 15. Obtain a schedule of receivables and determine whether the total agrees with the trial balance.
- 16. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.

17. Obtain an aged analysis of the trade receivables. Enquire about the reason for unusually large accounts, credit balances on accounts or any other unusual balances and enquire about the collectability of receivables.
18. Consider, with management, the classification of receivables, including non-current balances, net credit balances and amounts due from shareholders, those charged with governance and other related parties in the financial report.
19. Enquire about the method for identifying “slow payment” accounts and setting allowances for doubtful accounts and consider it for reasonableness.
20. Enquire whether receivables have been pledged, factored or discounted and determine whether they have been properly accounted for.
21. Enquire about procedures applied to ensure that a proper cut-off of sales transactions and sales returns has been achieved.
22. Enquire whether accounts represent goods shipped on consignment and, if so, whether adjustments have been made to reverse these transactions and include the goods in inventory.
23. Enquire whether any large credits relating to recorded income have been issued after the balance sheet reporting date and whether provision has been made for such amounts. Consider the reasonableness of any provisions.

Inventories

24. Obtain the inventory list and determine whether:
 - a. the total agrees with the balance in the trial balance; and
 - b. the list is based on a physical count of inventory.
25. Enquire about the method for counting inventory.
26. Where a physical count was not carried out on the balance sheet date, enquire whether:
 - a. a perpetual inventory system is used and whether periodic comparisons are made with actual quantities on hand; and
 - b. an integrated cost system is used and whether it has produced reliable information in the past.
27. Consider adjustments made resulting from the last physical inventory count.
28. Enquire about procedures applied to control cut-off and any inventory movements.
29. Enquire about the basis used in valuing each inventory classification and, in particular, regarding the elimination of inter-branch profits. Enquire whether inventory is valued at the lower of cost and net realisable value (or lower of cost and replacement cost for not-for-profit organisations).
30. Consider the consistency with which inventory valuation methods have been applied, including factors such as material, labour and overhead.
31. Compare amounts of major inventory categories with those of prior periods and with those anticipated for the current period. Enquire about major fluctuations and differences.
32. Compare inventory turnover with that in previous periods.
33. Enquire about the method used for identifying slow moving and obsolete inventory and whether such inventory has been accounted for at net realisable value.

34. Enquire whether any inventory has been consigned to the entity and, if so, whether adjustments have been made to exclude such goods from inventory.
35. Enquire whether any inventory is pledged, stored at other locations or on consignment to others and consider whether such transactions have been accounted for appropriately.

Investments (Including Associated Entities and Financial Instruments)

36. Obtain a schedule of the investments at the balance sheet reporting date and determine whether it agrees with the trial balance.
37. Enquire whether the accounting policy applied to investments is consistent with prior periods.
38. Enquire from management about the carrying values of investments. Consider whether there are any realisation problems.
39. Enquire whether there are any new investments, including business combinations. Consider classification, measurement and disclosure in respect of material or significant acquisitions.
40. Consider whether gains and losses and investment income have been properly accounted for.
41. Enquire about the classification of long-term and short-term investments.

Property Plant and Equipment and Depreciation

42. Obtain a schedule of the property, plant and equipment indicating the cost and accumulated depreciation and determine whether it agrees with the trial balance.
43. Enquire about the accounting policy applied regarding residual values, provisions to allocate the cost of property, plant and equipment over their estimated useful lives using the expected pattern of consumption of the future economic benefits and distinguishing between capital and maintenance items. Consider whether there are any indicators of impairment and whether the property, plant and equipment have suffered a material, permanent impairment in value.
44. Discuss with management the additions and deletions to property, plant and equipment accounts and accounting for gains and losses on disposals or de-recognition. Enquire whether all such transactions have been properly accounted for.
45. Enquire about the consistency with which the depreciation method and rates have been applied and compare depreciation provisions with prior years.
46. Enquire whether there are any restrictions on the property, plant and equipment.
47. Enquire whether lease agreements have been properly reflected in the financial report in conformity with current accounting pronouncements.

Prepaid Expenses, Intangibles and Other Assets

48. Obtain schedules identifying the nature of these accounts and determine whether they agree with the trial balance. Discuss recoverability thereof with management.
49. Enquire whether management have updated their impairment calculations in respect of goodwill or other intangibles. Consider whether there have been any indicators of impairment for intangibles and enquire whether management have appropriately considered discount rates, growth rates, etc.
50. Enquire about the basis for recording these accounts and the amortisation methods used.
51. Compare balances of related expense accounts with those of prior periods and obtain explanations for significant variations with management.

Discuss the classification between current and non-current accounts with management.

Investment Property

52. Obtain a schedule of investment property and determine whether it agrees with the trial balance.
53. Enquire whether the accounting policy applied to investment property is consistent with prior periods.
54. Update with management the acquisitions and disposals to investment property and accounting for gains and losses on disposals or de-recognition. Determine whether all significant transactions have been accounted for appropriately.
55. Consider whether there are any indicators of impairment and whether any investment property was subject to recent valuations.

Loans Payable

56. Obtain from management a schedule of loans payable and determine whether the total agrees with the trial balance.
57. Enquire whether there are any loans where there has been a change to the terms and conditions or management has not complied with the provisions of the loan agreement, including any debt covenants. Assess whether loans have been appropriately classified as current or non-current in the financial report.
58. Where material, consider the reasonableness of interest expense in relation to loan balances.
59. Enquire whether loans payable are secured. Review loan and working capital facilities. Enquire if options to extend terms have been exercised or if any debt requires refinancing.

Trade Payables

60. Enquire about the accounting policies for initially recording trade payables and whether the entity is entitled to any allowances given on such transactions.
61. Obtain and consider explanations of significant variations in account balances from previous periods or from those anticipated.
62. Obtain a schedule of trade payables and determine whether the total agrees with the trial balance.
63. Enquire whether balances are reconciled with the creditors' statements and compare with prior period balances. Compare turnover with prior periods.
64. Consider whether there could be material unrecorded liabilities.
65. Enquire whether payables to shareholders, those charged with governance and other related parties are separately disclosed.

Other Liabilities and Contingent Liabilities

66. Obtain a schedule of other liabilities and determine whether the total agrees with the trial balance.
67. Compare major balances of related expense accounts with similar accounts for prior periods.
68. Enquire about approvals for such other liabilities, terms of payment, compliance with terms, collateral and classification.

69. Enquire about other liabilities to assess whether the methodology and assumptions adopted are consistent with prior periods. Enquire whether there are any unusual trends and developments affecting accounting estimates.
70. Enquire as to the nature of amounts included in contingent liabilities and commitments.
71. Enquire whether any actual or contingent liabilities exist which have not been recognised in the accounts. If so, enquire with management and/or those charged with governance whether provisions need to be made in the accounts or whether disclosure should be made in the notes to the financial report.

Income and Other Taxes

72. Enquire from management if there were any events, including disputes with taxation authorities, which could have a significant effect on the taxes payable by the entity. Examine correspondence in relation to any significant matters arising and assess whether events have been reflected appropriately in the financial report.
73. Consider the tax expense in relation to the entity's income for the period.
74. Enquire from management as to the adequacy of the recognised deferred and current tax assets and/or liabilities including provisions in respect of prior periods.

Financial Instruments

75. Enquire or update knowledge and understanding with persons responsible for financial reporting (including any treasury specialist), of what derivatives are in place, what accounting policies are applied to these derivatives and whether they have been consistently applied.
76. Enquire whether any hedges have been entered into for speculative purposes.
77. Enquire whether there are adequate policies and procedures to determine the fair value of financial assets and financial liabilities.
78. Enquire whether there are any sales and transfers that may call into question the classification of investments in securities, including management's intent and ability with respect to the remaining securities classified as held to maturity.

Employee Share Plans

79. Enquire about any new employee share plans or changes to existing plans, and where employee share plans are material, assess whether the accounting methodology has been consistently applied.

Subsequent Events

80. Obtain from management the latest financial report and compare it with the financial report being reviewed or with those for comparable periods from the preceding year.
81. Enquire about events after the balance sheet reporting date that would have a material effect on the financial report under review and, in particular, enquire whether:
 - a. any substantial commitments or uncertainties have arisen subsequent to the balance sheet date;
 - b. any significant changes in the share capital, long-term debt or working capital have occurred up to the date of enquiry; and
 - c. any unusual adjustments have been made during the period between the balance sheet reporting date and the date of enquiry.

Consider the need for adjustments or disclosure in the financial report.

82. Obtain and read the minutes of meetings of shareholders, those charged with governance and appropriate committees subsequent to the balance sheet date and consider any impact of the financial report and disclosures.

Litigation

83. Enquire from persons responsible for financial reporting, and where appropriate in-house litigation specialists, whether the entity is the subject of any legal actions - threatened, pending or in process. Consider the effect thereof on the financial report and any provision for loss.

Equity

84. Obtain and consider a schedule of the transactions in the equity accounts, including new issues, retirements and dividends. Consider whether there are any unusual terms for new issues of debt or equity which could affect classification.
85. Enquire whether there are any restrictions on retained earnings or other equity accounts.

Operations

86. Compare results with those of prior periods and those expected for the current period. Obtain explanations of significant variations with management.
87. Enquire whether the recognition of major revenue and expenses have taken place in the appropriate periods.
88. Enquire whether the policies and procedures related to revenue recognition, including accrued income, have been consistently applied and whether there are any new or complex changes, including any changes in major contracts with customers or suppliers.
89. Consider and update with management the relationship between related items in the revenue account and assess the reasonableness thereof in the context of similar relationships for prior periods and other information available to the auditor.
90. Discuss the policy in respect of capitalisation of interest and whether it is in accordance with Australian Accounting Standards.

Going Concern Assessment

91. Consider the going concern assumption. When events or conditions come to attention which may cast significant doubt on the entity's ability to continue as a going concern, perform additional procedures to assess the impact on the financial report and auditor's review report as required by paragraph 19 of this Auditing Standard. Additional procedures include:
- a. Discussion with those charged with governance to understand the events and circumstances that have contributed to the current situation to determine whether the risk arising can be mitigated.
 - b. Plans for future actions, such as plans or intentions to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.
 - c. Feasibility of the plans and whether those charged with governance believe that the outcome of these plans will improve the situation.

Consider the adequacy of disclosure about such matters in the financial report. Auditors may also refer to ASA 570 *Going Concern* for guidance which may be helpful.

Evaluation of Misstatements

92. Ensure significant review differences have been summarised and their effect evaluated.
93. Ensure material adjustments identified are notified to management/ those charged with governance (as appropriate).

Written Representations

94. Obtain written representation from the directors/management/those charged with governance (as appropriate) to confirm matters arising during the course of the review engagement.

Documentation

95. Ensure that review documentation is sufficient and appropriate to provide a basis for the conclusion and to provide evidence of compliance with ASRE 2410.

**AN AUDITOR'S REVIEW REPORT UNDER THE
*CORPORATIONS ACT 2001***

Financial Report for a Half-year

Introduction

1. This Appendix has been prepared to assist an auditor, engaged to undertake a review engagement, by providing an example of an auditor's review report on a review of a financial report for a half-year prepared in accordance with Part 2M.3 of the *Corporations Act 2001* (The Act). The example reflects both requirements of this Auditing Standard and the Act, but is not intended to require standard wording for the circumstances of particular modifications.
2. This Appendix contains limited extracts from the Act and the Australian Accounting Standards in order to provide a context for the example report included in this Appendix. These selected extracts are included in this Appendix only for the purpose stated and accordingly are not intended to be an exhaustive list of an auditor's obligations and requirements which are found elsewhere in this Auditing Standard, the Act, the Australian Accounting Standards and other relevant mandates.
3. This Appendix:
 - a) Includes selected extracts from the Act and Australian Accounting Standards, and references to other relevant information, to provide a contextual framework; and
 - b) Provides an example of an auditor's review report.

Contextual Framework

Corporations Act 2001

The following selected extracts from the Act are included in this Appendix only to point to some of the important requirements of the Act that affect auditors engaged to undertake a review engagement in accordance with the Act.

4. Section 302 states:

“A disclosing entity²² must:

 - a) prepare a financial report and directors' report for each half-year; and
 - b) have the financial report audited or reviewed in accordance with Division 3 and obtain an auditor's report; and
 - c) lodge the financial report, the director's report and the auditor's report on the financial report with ASIC;

unless the entity is not a disclosing entity when lodgement is due”.

²² The definition of a “disclosing entity” is found in Part 1.2A, Division 2, section 111AC of the *Corporations Act 2001*.

5. Section 303(1) states:

“The financial report for a half-year consists of:

- a) the financial statements for the half-year;
- b) the notes to the financial statements; and
- c) the directors’ declaration about the statements and notes”.

6. Section 304 states:

“The financial report for a half-year must comply with the accounting standards and any further requirements in the regulations”.

7. Section 305 states:

“The financial statements and notes for a half-year must give a true and fair view of:

- a) the financial position and performance of the disclosing entity; or
- b) if consolidated financial statements are required—the financial position and performance of the consolidated entity.

This section does not affect the obligation under section 304 for financial reports to comply with accounting standards.”

Note: If the financial statements prepared in compliance with the accounting standards would not give a true and fair view, additional information must be included in the notes to the financial statements under paragraph 303(3)(c)”.

8. Section 309(4) states:

“An auditor who reviews the financial report for a half-year must report to members on whether the auditor became aware of any matter in the course of the review that makes the auditor believe the financial report does not comply with Division 2”.

9. Section 309(5) states:

“A report under subsection (4) must:

- a) Describe any matter referred to in subsection (4); and
- b) Say why that matter makes the auditor believe that the financial report does not comply with Division 2”.

10. Section 309(5A) states:

“The auditor’s report must include any statements or disclosures required by the auditing standards”.

11. Section 320 states:

“A disclosing entity that has to prepare or obtain a report for a half-year under Division 2 must lodge the report with ASIC within 75 days after the end of the half-year”.

Other Information – ASIC and ASX

12. An auditor, in the role of auditor, is required by section 311 of the Act to notify ASIC if the auditor is aware of certain circumstances. ASIC Regulatory Guide 34 *Auditors' obligations: reporting to ASIC* (May 2013), provides guidance to help auditors comply with their obligations under section 311 of the Act.
13. ASIC and the ASX have agreed that listed entities can satisfy the requirements of the Act by lodging the half-year financial report, the directors' report, and the auditor's review report on the financial report with the ASX. Details are provided in ASIC Regulatory Guide 28 *Relief from dual lodgement of financial reports* (July 2003) and *ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2601/181*.

Australian Accounting Standards

14. Minimum Components of an Interim Financial Report – AASB 134 *Interim Financial Reporting*, paragraph 8:

An interim financial report shall include, at a minimum, the following components:

- a) a condensed statement of financial position;
- b) a condensed statement or condensed statements of profit or loss and other comprehensive income;
- c) a condensed statement of changes in equity;
- d) a condensed cash flow statement; and
- e) selected explanatory notes.

15. Form and Content of Interim Financial Reports – AASB 134 paragraph 9 states:

“If an entity publishes a complete set of financial statements in its interim financial report, the form and content of those statements shall conform to the requirements of AASB 101 for a complete set of financial statements”.

16. Form and Content of Interim Financial Reports – AASB 134 paragraph 10 states:

“If an entity publishes a set of condensed financial statements in its interim financial report, those condensed statements shall include, at a minimum, each of the headings and subtotals that were included in its most recent annual financial report and the selected explanatory notes as required by this Standard. Additional line items or notes shall be included if their omission would make the condensed interim financial report misleading”.

17. Materiality – AASB 134 paragraph 23 states:

“In deciding how to recognise, measure, classify, or disclose an item for interim financial reporting purposes, materiality shall be assessed in relation to the interim period financial data. In making assessments of materiality, it shall be recognised that interim measurements may rely on estimates to a greater extent than measurements of annual financial data”.

**EXAMPLE UNMODIFIED AUDITOR'S REVIEW REPORT ON A
HALF-YEAR FINANCIAL REPORT – SINGLE LISTED COMPANY –
CORPORATIONS ACT 2001**

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of [name of entity]

Report on the Half-Year Financial Report²³

Conclusion

We have reviewed the half-year financial report of [name of entity], which comprises the statement of financial position as at 31 December 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies²⁴ and other explanatory information, and the directors' declaration.²⁵

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of [name of company/registered scheme/disclosing entity] does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the [name of entity's] financial position as at 31 December 20XX and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also 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 the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.²⁶

Responsibility of the Directors for the Financial Report

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year 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

²³ 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.

²⁴ If a condensed set of financial statements insert relevant titles for each statement and description of accounting policies as required by AASB 134.

²⁵ When the auditor is aware that the half-year financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited half-year financial report is presented.

²⁶ 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 review report was made.

determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 20XX and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Other Legal and Regulatory Requirements

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

[Auditor's name and signature]²⁷

[Name of firm]²⁷

[Date of the auditor's review report]²⁸

[Auditor's address]

²⁷ Consistent with ASA 700 Paragraph 46, under the *Corporations Act 2001* the auditor of a company or registered scheme is required to sign the auditors' review 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.

²⁸ The date of the auditor's report is the date the auditor signs the report.

Appendix 4

(Ref: Para. A43)

Illustrations of Auditors' Review Reports for financial reports not prepared under the *Corporations Act 2001*—Unmodified and Modified Conclusions

Example A – Unmodified Auditor's Review Report – Fair Presentation

Example B – Auditor's Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework – Fair Presentation Framework

Example C – Auditor's Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management – Fair Presentation Framework

Example D – Auditor's Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework – Fair Presentation Framework

Example E – Unmodified Auditor's Review Report on a Financial Report – Compliance Framework

**EXAMPLE A – UNMODIFIED AUDITOR’S REVIEW REPORT ON A
FINANCIAL REPORT – FAIR PRESENTATION**

INDEPENDENT AUDITOR’S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report²⁹

Conclusion

We have reviewed the [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies³⁰ and other explanatory information, and [the declaration by those charged with governance].^{31,32}

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of³³”] the financial position of the [entity] as at [date], and its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report³⁴

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

²⁹ 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.

³⁰ Insert relevant statement or description of accounting policies as required by AASB 134.

³¹ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

³² The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

³³ ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

³⁴ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial report does not present fairly, in all material respects, [or “give a true and fair view of”] the financial position of the [entity] as at [date] and of its financial performance and its cash flows for the [period] ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]³⁵

[Date of the auditor's review report]³⁶

[Auditor's address]

³⁵ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

³⁶ The date of the auditor's report is the date the auditor signs the report.

EXAMPLE B – AUDITOR’S REVIEW REPORT WITH A QUALIFIED CONCLUSION (EXCEPT FOR) FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK – FAIR PRESENTATION FRAMEWORK

INDEPENDENT AUDITOR’S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report³⁷

Qualified Conclusion

We have reviewed the [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies³⁸ and other explanatory information, and [the declaration by those charged with governance³⁹].^{40,41}

Based on our review, which is not an audit, except for the effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the accompanying [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”⁴²] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

Based on information provided to us by management, [name of entity] has excluded from property and long-term debt certain lease obligations that we believe should be capitalised to conform with [indicate applicable financial reporting framework]. This information indicates that if these lease obligations were capitalised at 31 December 20XX, property would be increased by \$ _____, long-term debt by \$ _____, and net income and earnings per share would be increased (decreased) by \$ _____ and \$ _____ respectively for the [period] ended on that date.

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report⁴³

Management are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as the

³⁷ 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.

³⁸ Insert relevant statement or description of accounting policies as required by AASB 134

³⁹ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁴⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁴¹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁴² ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

⁴³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

directors [those charged with governance] determine is necessary to enable the preparation and fair presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”⁴⁴] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]⁴⁵

[Date of the auditor's review report]⁴⁶

[Auditor's address]

⁴⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

⁴⁵ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁴⁶ The date of the auditor's report is the date the auditor signs the report.

EXAMPLE C – AUDITOR’S REVIEW REPORT WITH A QUALIFIED CONCLUSION FOR A LIMITATION ON SCOPE NOT IMPOSED BY MANAGEMENT – FAIR PRESENTATION FRAMEWORK

INDEPENDENT AUDITOR’S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report⁴⁷

Qualified Conclusion

We have reviewed the [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies⁴⁸ and other explanatory information, and [the declaration by those charged with governance⁴⁹].^{50,51}

Based on our review, which is not an audit, except for the possible effects of the matter described in the *Basis for Qualified Conclusion* section, nothing has come to our attention that causes us to believe that the accompanying [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”⁵²] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Qualified Conclusion

As a result of a fire in a branch office on [date] that destroyed its accounts receivable records, we were unable to complete our review of accounts receivable totalling \$_____ included in the [period] financial report. The [entity] is in the process of reconstructing these records and is uncertain as to whether these records will support the amount shown above and the related allowance for uncollectible accounts. We consider the possible effects incapable of reliable measurement at this time. Had we been able to complete our review of accounts receivable, matters might have come to our attention indicating that adjustments might be necessary to the [period] financial report.

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report⁵³

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair

⁴⁷ 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.

⁴⁸ Insert relevant statement or description of accounting policies as required by AASB 134.

⁴⁹ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁵⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁵¹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁵² ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

⁵³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”⁵⁴] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature⁵⁵]

[Date of the auditor's review report⁵⁶]

[Auditor's address]

⁵⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

⁵⁵ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁵⁶ The date of the auditor's report is the date the auditor signs the report.

EXAMPLE D – AUDITOR’S REVIEW REPORT WITH AN ADVERSE CONCLUSION FOR A DEPARTURE FROM THE APPLICABLE FINANCIAL REPORTING FRAMEWORK – FAIR PRESENTATION

INDEPENDENT AUDITOR’S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report⁵⁷

Adverse Conclusion

We have reviewed the [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the [period] ended on that date, a summary of significant accounting policies⁵⁸ and other explanatory information, and [the declaration of those charged with governance⁵⁹].^{60,61}

Based on our review, which is not an audit, because of the significance of the matter described in the *Basis for Adverse Conclusion* section of our report, the accompanying [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of⁶²”] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

Basis for Adverse Conclusion

As explained in Note X, commencing this period, [title of those charged with governance] of the [entity] ceased to consolidate the financial reports of its subsidiary companies since [title of those charged with governance] considers consolidation to be inappropriate because of the existence of new substantial non-controlling interests. This is not in accordance with [applicable financial reporting framework]. Had a consolidated financial report been prepared, virtually every account in the financial report would have been materially different. The effects on the financial report of the failure to consolidated have not been determined.

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report⁶³

Management of the [type of entity] are responsible for the preparation and fair presentation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control as management determine is necessary to enable the preparation and fair

⁵⁷ 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.

⁵⁸ Insert relevant statement or description of accounting policies as required by AASB 134.

⁵⁹ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁶⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁶¹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁶² ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

⁶³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

presentation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the [period] financial report of [name of entity] does not present fairly, in all material respects, [or “give a true and fair view of”⁶⁴] the financial position of the [entity] as at [date], and of its financial performance and its cash flows for the [period] period ended on that date, in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature⁶⁵]

[Date of the auditor's review report]⁶⁶

[Auditor's address]

⁶⁴ ASA 700 *Forming an Opinion and Reporting on a Financial Report* contains information on the wording of reports that may be helpful.

⁶⁵ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁶⁶ The date of the auditor's report is the date the auditor signs the report.

**EXAMPLE E – UNMODIFIED AUDITOR’S REVIEW REPORT ON A
FINANCIAL REPORT – COMPLIANCE FRAMEWORK**

INDEPENDENT AUDITOR’S REVIEW REPORT

To [appropriate addressee]

Report on the [appropriate title for the financial report] Financial Report⁶⁷

Conclusion

We have reviewed the [period] financial report of [name of entity], which comprises the statement of financial position as at [date], the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies⁶⁸ and other explanatory information, and [the declaration by those charged with governance^{69, 70, 71}].

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the accompanying [period] financial report of [name of entity] has not been prepared, in all material respects, in accordance with [applicable financial reporting framework].

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor’s Responsibilities for the Review 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report⁷²

Management of the [type of entity] are responsible for the preparation of the [period] financial report in accordance with the [applicable financial reporting framework] and for such internal control management determine is necessary to enable the preparation of the [period] financial report that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the financial report has not been prepared, in all material respects in accordance with [applicable financial reporting framework].

A review of a financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards

⁶⁷ 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.

⁶⁸ Insert relevant statement or description of accounting policies as required by AASB 134.

⁶⁹ Amend these terms to reflect the appropriate assertion statement and title for those charged with governance.

⁷⁰ When the auditor is aware that the financial report will be included in a document that contains other information, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the reviewed financial report is presented.

⁷¹ The auditor may wish to specify the regulatory authority or equivalent with whom the financial report is filed.

⁷² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature]⁷³

[Date of the auditor's review report]⁷⁴

[Auditor's address]

⁷³ The auditor's review report is required to be signed in one or more of the name of the audit firm, the name of the audit company or the personal name of the auditor, as appropriate.

⁷⁴ The date of the auditor's report is the date the auditor signs the report.

Schedule 1 – Repeals

Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity (June 2020) – F2020L00788*

1. **The whole of the instrument**

Repeal the instrument.