



Subject: Agenda for the 81st meeting of the AUASB

Venue: TEQSA Executive Boardroom
Level 14, 530 Collins St, Melbourne

Time: Monday, 18 April 2016 from 10.00 a.m. to 5.00 p.m.

Time	Agenda Item No.
10.00 a.m.	1. Introductory Comments
	2. Minutes of Previous AUASB Meeting
	3. Matters Arising from Previous Meetings and Action List
10.15 a.m.	4. IAASB ITC Enhancing Audit Quality – A Focus on Professional Skepticism, Quality Control and Group Audits
11.45 a.m.	5. Presentation by APRA (closed session)
12.30 p.m.	Lunch
1.30 p.m.	IAASB ITC (continued)
2.30 p.m.	6. Auditor Reporting – Special Purpose Reports
3.15 p.m.	Break
3.30 p.m.	7. International
4.00 p.m.	8. Other Matters
4.30 p.m.	9. Corporate and Strategic Planning Matters (closed session)
5.00 p.m.	Close

Note: the running order and time allocated to agenda items is subject to change prior to and during the course of the meeting.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4**

Meeting Date: 18 April 2016

Subject: IAASB ITC *Enhancing Audit Quality – A Focus on Professional Skepticism, Quality Control and Group Audits*

Date Prepared: 8 April 2016

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

As discussed at the 22 February 2016 AUASB meeting, the IAASB last December, released its Invitation to Comment Paper (ITC) *Enhancing Audit Quality – A Focus on Professional Skepticism, Quality Control and Group Audits*, and related Overview Paper. The ITC Paper highlights the IAASB's discussions in the three significant topic areas and indicates potential standard-setting activities that could enhance audit quality. **The comment period for the ITC closes on 16 May 2016.**

The AUASB together with CPA Australia and Chartered Accountants Australia and New Zealand (CA ANZ), held joint roundtables with various stakeholders on 29 February (Melbourne) and 1 March 2016 (Sydney) to discuss issues raised in ITC. A summary of the main issues raised by stakeholders during those roundtables is provided in attachment 4.3.

At the previous AUASB meeting, it was agreed that feedback from the roundtables would be used to provide input for the AUASB's formal submission to the IAASB and that AUASB Members would consider the various aspects of the ITC further, including at the 18 April meeting, together with a draft submission (attachments 4.1 and 4.2).

The views of the AUASB Members will be important to finalising the AUASB submission and we have allowed sufficient time for this discussion at the meeting. The NZAuASB has also recently met and discussed its proposed draft submission, which has been provided to the AUASB Chairman and Technical Group.

Matters to Consider

AUASB Members are requested to consider the draft AUASB submission and the matters raised in the ITC, with a view to providing further input to enable the submission to be progressed and finalised by 16 May 2016.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Material Presented

Agenda Item 4	AUASB Board Meeting Summary Paper
Agenda Item 4.1	ITC Revised draft covering AUASB letter [confidential]
Agenda Item 4.2	IAASB-ITC-revised draft AUASB detailed responses [confidential]
Agenda Item 4.3	ITC Roundtable notes-Melb & Syd [confidential]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider draft and provide further input		AUASB	18 April 2016	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **6(a)**
Meeting Date: 18 April 2016
Subject: ASA 800 and ASA 805
Date Prepared: 6 April 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To consider and approve for issue, exposure drafts for revised ASA 800 and ASA 805.

Background

The IAASB issued the final revised ISA 800 and ISA 805 standards in January 2016. At the 22 February 2016 AUASB meeting, the AUASB agreed to several Australian specific amendments to the ISAs to be incorporated into draft Australian exposure drafts. The amendments all passed the compelling reasons test as presented to the AUASB at the 22 February 2016 meeting. For reference purposes a copy of these amendments is included at Agenda Item xx.

The AUASB is asked to consider and approve for issue the draft exposure drafts on ASA 800 and ASA 805.

Matters to Consider

Part A – General

The AUASB is asked to consider and approve for issue the draft EDs subject to resolution regarding the illustrative auditor's reports in ASA 800 and ASA 805.

Illustration 3 of ASA 800

Illustration 3 of ASA 800 is an auditor's report on a complete set of financial report of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

The AUASB Technical Group held a discussion with ASIC. That discussion indicated that such a situation would be rare, if ever in the Australian context. Accordingly, we have deleted this illustration from ASA 800. The technical group do not consider a replacement Australian example necessary.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Illustration 3 of ASA 805

Illustration 3 of ASA 805 is an auditor's report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework.

AUASB input is sought as to whether such an example is necessary in the Australian context.

Part B – NZAuASB

The AUASB has liaised with the NZAuASB who have raised no particular issues on these ISAs.

Part C – “Compelling Reasons” Assessment

Considered at the 22 February 2016 AUASB meeting with no issues noted.

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

AUASB Technical Group Recommendations

Approval to issue Australian Exposure drafts for ASA 800 and ASA 805. The AUASB Technical Group suggests these exposure drafts are held over until the AUASB is ready with an exposure draft on ASA 810. The final ISA 810 has recently been issued by the IAASB and the AUASB expects to bring a draft exposure draft on ASA 810 to the 14 June AUASB meeting. Once the AUASB approves to issue ASA 810 as an exposure draft, the AUASB will expose all three standards at the same time for a 30 day exposure period

Material Presented

Agenda Item 6(a)	AUASB Board Meeting Summary Paper
Agenda Item 6(a).1	ISA 800 and ISA 805 Issues Paper
Agenda Item 6(a).2	Exposure Draft ASA 800 (Marked Up Version)
Agenda Item 6(a).3	Exposure Draft ASA 800 (Clean Version)
Agenda Item 6(a).4	Exposure Draft ASA 805 (Marked Up Version)
Agenda Item 6(a).5	Exposure Draft ASA 805 (Clean Version)
Agenda Item 6(a).6	Extant ASA 800 [electronic only]
Agenda Item 6(a).7	Extant ASA 805 [electronic only]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the Exposure Drafts for ASA 800 and ASA 805	Approval	AUASB	18 April 2016	o/s

ASA 800 and ASA 805 – identification of matters for the AUASB to consider

ASA 800 SPFR	Extract	Initial Suggestion	Disposition
Aus 6.1	Special purpose financial report means a complete set of financial statements, including an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework.	Retain. The use of SPFRs has a long-standing significance in Australia, including use for purposes of the Act and other legislative/regulatory requirements (e.g. ACNC). “Special purpose financial report” is not defined anywhere other than in this Standard. Delete ISA paragraphs 6(a) and 7. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of this paragraph.
Aus A1.1	Extant: The <i>Corporations Act 2001</i>,* Australian Accounting Standards,# other applicable law or regulation, or specific users of the financial report, may determine if a financial report is required to be prepared. Australian Accounting Standards provide the applicable financial reporting framework for determining if the entity is a “reporting entity”† or a “non-reporting entity” and consequently if the financial report is required to be general purpose or special purpose. For “reporting entities” preparing a financial report under the <i>Corporations Act 2001</i>, the applicable framework is general purpose. For “non-reporting entities” preparing a financial report under the <i>Corporations Act 2001</i>, the applicable framework may be general purpose or special purpose. Replace with: The <i>Corporations Act 2001</i>,* Australian Accounting Standards,# other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the <i>Corporations Act 2001</i>, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101	Retain inserted Aus Para but update. The use of SPFRs has a long-standing significance in Australia. The guidance brings together, and therefore clarifies, what can be confusing in view of the terminology used and the different financial reporting frameworks. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention and update of this paragraph.

* See ASA 200, paragraph Aus 13.1.
 * See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.
 # See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.
 † See, for example, *Glossary of Defined Terms* (June 2009) or Statement of Accounting Concepts 1 *Definition of the Reporting Entity* (August 1990) issued by the AASB.
 * See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.
 # See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.



ASA 800 SPFR	Extract	Initial Suggestion	Disposition
	<i>Presentation of Financial Statements</i> defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 <i>Australian Additional Disclosures</i> defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. “Reporting entities” are required to prepare general purpose financial statements. “Non-reporting entities” may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.		
Aus A9.1	ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.	Retain. (a) Ethics Standards sit outside of the ASAs, however come through ASA 102; (b) Materiality concept – introduced by the AUASB from the first set of enforceable Australian Standards; and (c) Consistent with the ASA 200 insert (Aus 23.1) which was, and remains, necessary because the legislative instruments (the standards) cannot be enforced where the requirement is not relevant or when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement. Delete ISA para A9. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of this paragraph.
Appendix 1 Illustration 4	An auditor’s report on a financial report prepared by a non-reporting entity under the <i>Corporations Act 2001</i> (for purposes of this illustration, a fair presentation framework).	Retain but update – refer Agenda Item 6.8a for example of updated report. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain.	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of Australian examples and approved draft examples presented.
Appendix 1 Illustration 5	An auditor’s report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the <i>Applicable State Act</i> (for purposes of this illustration, a	Retain but update – refer Agenda Item 6.8b for example of updated report. At the 25 November 2014 AUASB meeting, in the context of a	At the 22 February 2016 AUASB meeting, the



ASA 800 SPFR	Extract	Initial Suggestion	Disposition
	fair presentation framework).	preliminary discussion around the auditor reporting project, the AUASB decided to retain.	AUASB confirmed retention of Australian examples and approved draft examples presented.

ASA 805 Single Financial Statement	Extract	Initial Suggestion	Disposition
Aus A2.1	ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference 11. As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.	Remove. ISA 200 definition of financial statements is the same as Revised ASA 200 para 13f definition. Aus para no longer needed. At the 25 November 2014 AUASB Meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB agreed to abolish the requirement.	At the 22 February 2016 AUASB meeting, the AUASB confirmed deletion of this paragraph.
Aus A5.1	ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor,	Retain. (a) Ethics Standards sit outside of the ASAs, however come through ASA 102; (b) Materiality concept – introduced by the AUASB from the first set of enforceable Australian Standards; and (c) Consistent with the ASA 200 insert (Aus 23.1) which was, and remains, necessary because the legislative instruments (the standards) cannot be enforced where the requirement is not relevant or when there are factors	At the 22 February 2016 AUASB meeting, the AUASB confirmed retention of this paragraph.



ASA 805 Single Financial Statement	Extract	Initial Suggestion	Disposition
	where possible, performs appropriate alternative audit procedures.	outside the auditor's control that prevent the auditor from complying with a requirement. At the 25 November 2014 AUASB meeting, in the context of a preliminary discussion around the auditor reporting project, the AUASB decided to retain. Delete ISA para A5. <u>Note</u> – audits under this standard require compliance with all relevant standards, hence the same link as in ASA 800.	

EXPOSURE DRAFT

ED 01/16

(April 2016)

Proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

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

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **31 May 2016**. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 01/16

The AUASB issues Exposure Draft ED 01/16 of proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Proposals

This proposed Auditing Standard establishes requirements and provides application and other explanatory material regarding <TypeHere>

This proposed Auditing Standard represents the Australian equivalent of revised ISA **Error! Reference source not found.** *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and will replace the current ASA 800 issued by the AUASB in **Error! Reference source not found.** (as amended).

This proposed Auditing Standard contains differences from the revised ISA 800 **Error! Reference source not found.**, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

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

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* by no later than **31 May 2016**. The AUASB is seeking comments from respondents on the following questions:

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

4. Are there any other significant public interest matters that constituents wish to raise?

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

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Draft

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Draft

AUDITING STANDARD ASA 800

Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

Application

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

Operative Date

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

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing (~~ASAs~~) in the 100–700 series apply to an audit of a financial report. This ASA Auditing Standard deals with special considerations in the application of those ASAs Australian Auditing Standards to an audit of financial report prepared in accordance with a special purpose framework.
2. This ASA Auditing Standard is written in the context of a ~~complete set of~~ financial report prepared in accordance with a special purpose framework. ASA 805 (~~Revised~~)¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This ASA Auditing Standard does not override the requirements of the other ASAs Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. ~~This ASA is effective for audits of financial report for periods ending on or after 15 December 2016.~~ [Deleted by the AUASB. Refer Aus 0.3]

Objective

5. The objective of the auditor, when applying ASAs Australian Auditing Standards in an audit of a financial report prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;

¹ ASA 805 (~~Revised~~) *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the financial report.

Definitions

6. For purposes of the ~~ASAs~~Australian Auditing Standards, the following terms have the meanings attributed below:

- (a) ~~[Deleted by the AUASB. Refer Aus 6.1]~~Special purpose financial report—Financial report prepared in accordance with a special purpose framework. (Ref: Para. A4)
 - (b) ~~Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1–A4)~~
 - (b) Aus 6.1 Special purpose financial report means a complete set of financial statements*, including an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework. (Ref: Para. A1–A4)
7. ~~Reference to “financial report” in this ASA means “a special purpose financial report. The requirements of the applicable financial reporting framework determine the presentation, structure, and content of the financial report, and what constitutes a complete set of financial report. Reference to “special purpose financial report” includes the related disclosures.~~[Deleted by the AUASB. Refer Aus 6.1]

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.³ In an audit of a special purpose financial report, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
- (a) The purpose for which the financial report ~~are~~is prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

9. ASA 200 requires the auditor to comply with all ~~ASAs~~Australian Auditing Standards relevant to the audit.⁴ In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the ~~Australian Auditing Standards~~ASAs requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A12)
10. ASA 315 ~~(Revised)~~ requires the auditor to obtain an understanding of the entity’s selection and application of accounting policies.⁵ In the case of a financial report prepared in

² ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a).

^{*} ASA 200, paragraph Aus 13.1.

³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁴ See ASA 200, paragraph 18.

⁵ ASA 315 ~~(Revised)~~, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of ~~those~~ that financial report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a special purpose financial report, the auditor shall apply the requirements in ASA 700 ~~(Revised)~~.⁶ (Ref: Para. A13–A19)

Description of the Applicable Financial Reporting Framework

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers s to or describes s the applicable financial reporting framework.⁷ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes s any significant interpretations of the contract on which the financial report ~~are-is~~ based.
13. ASA 700 ~~(Revised)~~ deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on a special purpose financial report:
- (a) The auditor's report shall also describe the purpose for which the financial report ~~are~~ is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's⁸ responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial report Are-is Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial report ~~are-is~~ prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. (Ref: Para. A1420–A1521)

* * *

⁶ ASA 700 ~~(Revised)~~ *Forming an Opinion and Reporting on Financial Statements*.

⁷ See ASA 700 ~~(Revised)~~, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para- 6)

A1. Examples of special purpose frameworks are:

- ~~A tax basis of accounting for a set of~~ financial report that ~~accompany~~ accompanies an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 The Corporations Act 2001,^{*} Australian Accounting Standards,[#] other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the Corporations Act 2001, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 Presentation of Financial Statements defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 Australian Additional Disclosures defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. "Reporting entities" are required to prepare general purpose financial statements. "Non-reporting entities" may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial report to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial report to imply full compliance with the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.

A4. ~~Financial-A financial~~ report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, ~~those that~~ financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, the financial report ~~are-is~~ still considered to be a special purpose financial report for purposes of

^{*} See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

[#] See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

the Australian Auditing Standards ASAs. The requirements in paragraphs 13–14 are designed to avoid misunderstandings about the purpose for which the financial report ~~are~~ is prepared. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial report, or in the notes, or incorporated therein by cross-reference.⁹

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.¹⁰
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

- ~~A9. ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements, and (b) all ASAs relevant to the audit. It also requires the auditor to comply with each requirement of an ASA unless, in the circumstances of the audit, the entire ASA is not relevant or the requirement is not relevant because it is conditional and the condition does not exist. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant~~

⁹ See ASA 200, paragraph 13(f).

¹⁰ See ASA 210, paragraph 18.

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requirement in an ASA by performing alternative audit procedures to achieve the aim of that requirement [Deleted by the AUASB. Refer Aus A9.1].¹¹

- A9. Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative procedures.
- A10. Application of some of the requirements of the ASAs Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.¹² In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. ASA 260 ~~(Revised)~~ requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.¹³ ASA 260 ~~(Revised)~~ notes that, in some cases, all of those charged governance are involved in managing the entity, and the application of the communication requirements is modified to recognise this position.¹⁴ When a general purpose financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial report may not be the same as those charged with governance responsible for the oversight of the preparation of ~~those that~~ general purpose financial report.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. The Appendix to this ASA Auditing Standard contains illustrations of independent auditor's reports on a special purpose financial report. Other illustrations of auditor's reports may be relevant to reporting on a special purpose financial report (see for example, the Appendices to ASA 700 ~~(Revised)~~, ASA 705 ~~(Revised)~~,¹⁵ ASA 570 ~~(Revised)~~,¹⁶ ASA 720 ~~(Revised)~~, and ASA 706 ~~(Revised)~~).¹⁷

Application of ASA 700 ~~(Revised)~~ When Reporting on a Special Purpose Financial report

- A14. Paragraph 11 of this ASA Auditing Standard explains that the auditor is required to apply ASA 700 ~~(Revised)~~ when forming an opinion and reporting on a special purpose financial

¹¹ See ASA 200, paragraphs 14, 18, and 22–23.

¹² See ASA 200, paragraphs 14, 18 and Aus 23.1.

¹³ ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

¹⁴ ASA 260 ~~(Revised)~~ *Communication with Those Charged with Governance*.

¹⁵ ASA 260 ~~(Revised)~~, paragraph A8.

¹⁶ ASA 705 ~~(Revised)~~, *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁷ ASA 570 ~~(Revised)~~, *Going Concern*.

ASA 706 ~~(Revised)~~ *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

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report. In doing so, the auditor is also required to apply the reporting requirements in other [ASAs—Auditing Standards](#) and may find the special considerations addressed in paragraphs A15–A19 below helpful.

Going Concern

- A15. ~~Special-A~~ [special](#) purpose financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial report prepared on a tax basis in particular jurisdictions).¹⁸ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial report, the description in the auditor’s report of management’s responsibilities¹⁹ relating to going concern may need to be adapted as necessary. The description in the auditor’s report of the auditor’s responsibilities²⁰ may also need to be adapted as necessary depending on how ASA 570 ~~(Revised)~~ applies in the circumstances of the engagement.

Key Audit Matters

- A16. ASA 700 ~~(Revised)~~ requires the auditor to communicate key audit matters in accordance with ASA 701²¹ for audits of ~~complete sets of a~~ general purpose financial report of listed entities. For audits of [a](#) special purpose financial report, ASA 701 only applies when communication of key audit matters in the auditor’s report on the special purpose financial report is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor’s report on [a](#) special purpose financial report, ASA 701 applies in its entirety.²²

Other Information

- A17. ASA 720 ~~(Revised)~~²³ deals with the auditor’s responsibilities relating to other information. In the context of this [ASA Auditing Standard](#), reports containing or accompanying the special purpose financial report—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial report—are considered to be annual reports for the purpose of ASA 720 ~~(Revised)~~. In the case of [a](#) financial report prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial report. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 ~~(Revised)~~ apply to the audit of the special purpose financial report.

Name of the Engagement Partner

- A18. The requirement in ASA 700 ~~(Revised)~~ for the auditor to include the name of the engagement partner in the auditor’s report also applies to audits of [a](#) special purpose financial report of listed entities.²⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor’s report or may otherwise decide to do so when reporting on [a](#) special purpose financial report of entities other than listed entities.

Inclusion of a Reference to the Auditor’s Report on the General purpose financial report

- A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor’s report on the special purpose financial report, to the auditor’s report on the general purpose

¹⁸ ASA 570 ~~(Revised)~~, *Going Concern*, paragraph 2.

¹⁹ See ASA 700 ~~(Revised)~~, paragraphs 34(b) and A48.

²⁰ See ASA 700 ~~(Revised)~~, paragraph 39(b)(iv).

²¹ ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

²² See ASA 700 ~~(Revised)~~, paragraph 31.

²³ ASA 720 ~~(Revised)~~ *The Auditor’s Responsibilities Relating to Other Information*.

²⁴ See ASA 700 ~~(Revised)~~, paragraphs 45 and A56–A58.

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financial report or to matter(s) reported therein (see ASA 706 ~~(Revised)~~).²⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial report to a Material Uncertainty Related to Going Concern section included in the auditor's report on the general purpose financial report.

Alerting Readers that the Financial report Are-is Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

A20. The special purpose financial report may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial report on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial report are-is prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. ASA 706 ~~(Revised)~~ requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".²⁶

Restriction on Distribution or Use (Ref: Para. 14)

A21. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly (see illustrations in the Appendix to this ASA Auditing Standard).

²⁵ See ASA 706 ~~(Revised)~~, paragraphs 10–11.

²⁶ See ASA 706 ~~(Revised)~~, paragraph 9(a).

Appendix 1

(Ref: Para. ~~A14~~)

Illustrations of Independent Auditor's² Reports on a Special Purpose Financial ~~report~~Report

Illustration 1: An auditor's report on a ~~complete set of~~ financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

Illustration 2: An auditor's report on a ~~complete set of~~ financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

Illustration 3: ~~An auditor's report on a complete set of financial report of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework)~~[Deleted by the AUASB.]

[Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity under the Corporations Act 2001 (for purposes of this illustration, a fair presentation framework).

[Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the applicable legislation (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor's report on a ~~complete set of~~ financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

- ~~_____~~ For purposes of this illustrative auditor's report, the following circumstances are assumed:
- ~~_____~~ The financial report ~~have~~has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks. The financial report is not prepared under the Corporations Act 2001.
- ~~_____~~ The applicable financial reporting framework is a compliance framework.
- ~~_____~~ An auditor's report on the general purpose financial report was not issued.
- ~~_____~~ The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- ~~_____~~ The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.
- ~~_____~~ The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- ~~_____~~ ~~Based~~Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570-~~(Revised)~~.
- ~~_____~~ Distribution and use of the auditor's report are restricted.
- ~~_____~~ The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- ~~_____~~ The auditor has determined that there is no other information (i.e., the requirements of ASA 720-~~(Revised)~~) do not apply).
- ~~_____~~ Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- ~~_____~~ The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the balance sheet as at 31 December, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Company for the year ended 31 December 20X1 ~~are~~is prepared, in all material respects, in accordance with the financial reporting

provisions of Section Z of the contract dated 1 January 20X1 between the Company and DEF Company (“the contract”). [Opinion section positioned first as required in ASA 700-~~(Revised)~~]

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing-~~(ASAs)~~. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in ~~[jurisdiction]~~Australia, and we have fulfilled our other ethical responsibilities in accordance with these ~~requirements~~code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700-~~(Revised)~~.]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report ~~are-is~~ prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management’s²⁷ and Those Charged with Governance for the Financial report²⁸

Management is responsible for the preparation of ~~these~~the financial report in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of a financial report that ~~are-is~~ free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial report

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

²⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

²⁸ Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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Paragraph 41(b) of ASA 700 ~~(Revised)~~ explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 ~~(Revised)~~ explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation of the financial report audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's entity's internal control.²⁹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.⁷
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

[Date of the auditor's report]

[Auditor's address]

[Date]

²⁹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Illustration 2: An auditor's report on a ~~complete set of~~ financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

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

- ~~Audit of a complete set of~~ financial report that ~~have has~~ been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks. This financial report is not prepared under the Corporations Act 2001.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants.
- ~~The relevant ethical requirements that apply to the audit are those of the jurisdiction.~~
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570 ~~(Revised)~~.
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 ~~(Revised)~~) do not apply).
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Partnership (the Partnership), which comprises the balance sheet as at 31 December 20X1 and the income statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Partnership for the year ended 31 December 20X1 ~~are is~~ prepared, in all material respects, in accordance with [describe the applicable income tax law] of Jurisdiction X. [Opinion section positioned first as required in ASA 700 ~~(Revised)~~]

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing ~~(ASAs)~~. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Partnership in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial report in ~~jurisdiction~~ Australia, and we have fulfilled our other ethical responsibilities in accordance with these ~~requirements~~code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700 ~~(Revised)~~.]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report ~~are~~is prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management's³⁰ and Those Charged with Governance for the Financial report³¹

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

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

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

Auditor's Responsibilities for the Audit of the Financial report

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

Paragraph 41(b) of ASA 700 ~~(Revised)~~ explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 ~~(Revised)~~ explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

³⁰ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

³¹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control.³²
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

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

~~[Auditor's address]~~

~~[Date of the auditor's report]~~

~~[Auditor's address]~~

³² This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

~~Illustration 3: An auditor's report on a complete set of financial report of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).~~

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

~~Audit of a complete set of financial report of a listed entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.~~

~~The applicable financial reporting framework is a fair presentation framework.~~

~~The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.~~

~~The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.~~

~~The relevant ethical requirements that apply to the audit are those of the jurisdiction.~~

~~Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570 (Revised). The disclosure of the material uncertainty in the financial report is adequate.~~

~~Distribution or use of the auditor's report is not restricted.~~

~~The auditor is required by the regulator to communicate key audit matters in accordance with ASA 701.~~

~~The auditor has determined that there is no other information (i.e., the requirements of ASA 720 (Revised)) do not apply).~~

~~Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.~~

~~The auditor has no other reporting responsibilities required under law or regulation.~~

INDEPENDENT AUDITOR'S REPORT

~~[To the Shareholders of ABC Company or Appropriate Addressee]~~

Opinion

~~We have audited the financial report of ABC Company (the Company), which comprise the balance sheet as at 31 December 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies~~

~~In our opinion, the accompanying financial report present fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Company as at 31 December 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with the financial reporting provisions of Section Y of Regulation Z. [Opinion section positioned first as required in ASA 700 (Revised)]~~

Basis for Opinion

~~We conducted our audit in accordance with Australian Standards on Auditing (ASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial report in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700 (Revised).]~~

Emphasis of Matter—Basis of Accounting

~~We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report are prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.~~

Material Uncertainty Related to Going Concern

~~We draw attention to Note 6 in the financial report, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.~~

Key Audit Matters

~~Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matters described below to be key audit matters to be communicated in our report.~~

~~[Description of each key audit matter in accordance with ASA 701 as applied to this audit.]~~

Other Matter

~~The Company has prepared a separate set of financial report for the year ended 31 December 20X1 in accordance with Australian Financial Reporting Standards on which we issued a separate auditor's report to the shareholders of the Company dated 31 March 20X2.~~

Responsibilities of Management's³³ and Those Charged with Governance for the Financial report³⁴

~~Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting provisions of Section Y of Regulation Z³⁵ and for such internal control as management determines is necessary to enable the preparation of financial report that are free from material misstatement, whether due to fraud or error.~~

³³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

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

³⁵ Where management's responsibility is to prepare financial statements that give a true and fair view, this may read: "Management is responsible for the preparation of a financial statements that give a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z and for such"

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Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

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

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

Auditor's Responsibilities for the Audit of the Financial report

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

Paragraph 41(b) of ASA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below:

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company entity's internal control.³⁶
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management,
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

³⁶— In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances." This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

Proposed Auditing Standard ASA 800
Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

~~Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represent the underlying transactions and events in a manner that achieves fair presentation.~~

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

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

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

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

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

~~[Auditor's address]~~

~~[Date]~~

[Aus] Illustration 4:

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

- Audit of the financial report of a small proprietary company controlled by a foreign company and is required to lodge a financial report with the Australian Securities and Investments Commission (ASIC). The entity is a non-reporting entity.
- The financial report is prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial statements in *ASA 210*.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with *ASA 570*.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with *ASA 701*.
- No Other Information is expected to be obtained under the *Corporations Act 2001*, accordingly the auditor has determined that there is no other information (i.e., the

requirements of ASA 720 do not apply).

- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors’ declaration.

In our opinion, the accompanying financial report of ABC Company is in accordance with the Corporations Act 2001, including:

- giving a true and fair view of the company’s financial position as at 31 December 20X1 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note X, and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the 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 (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.

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 report*.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors’ financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor’s report was made. [Section 307C (5A)(d) of the Corporations Act 2001].

financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

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Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

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

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

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

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

[Aus] Illustration 5:

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

- Audit of the financial report prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the applicable legislation. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is not prepared under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor’s report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained and the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements’ assertion statement*.

In our opinion, the accompanying financial report presents fairly, in all material respects, (or give a true and fair view of) the financial position of the Entity as at 31 December 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of the applicable legislation].

* Or other appropriate description.

Basis for Opinion

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

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared to assist ABC Entity to meet the requirements of the *applicable legislation*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *applicable legislation* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor’s Responsibilities for the Audit of the Financial Report

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

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor’s report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor’s responsibilities, rather than including this material in the auditor’s report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor’s responsibilities below. When the auditor refers to a description of the auditor’s responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

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than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 800 and Existing ASA 800

Summary of Main Differences — ASA 800 and Existing ASA 800

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 800. This summary should not be used as a complete list of all changes made.

- The enhancements from the new and revised auditor reporting standards would apply to ASA 800 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 800 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 800 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 800 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a special purpose financial report. (Ref. Para. A18)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

EXPOSURE DRAFT

ED 01/16

(April 2016)

Proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

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

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 31 May 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 01/16

The AUASB issues Exposure Draft ED 01/16 of proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Proposals

This proposed Auditing Standard establishes requirements and provides application and other explanatory material regarding <TypeHere>

This proposed Auditing Standard represents the Australian equivalent of revised ISA **Error! Reference source not found.** *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and will replace the current ASA 800 issued by the AUASB in **Error! Reference source not found.** (as amended).

This proposed Auditing Standard contains differences from the revised ISA 800 **Error! Reference source not found.**, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

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

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* by no later than 31 May 2016. The AUASB is seeking comments from respondents on the following questions:

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

4. Are there any other significant public interest matters that constituents wish to raise?

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

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

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Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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AUDITING STANDARD ASA 800

Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

Application

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

Operative Date

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

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of financial report prepared in accordance with a special purpose framework.
2. This Auditing Standard is written in the context of a financial report prepared in accordance with a special purpose framework. ASA 805¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This Auditing Standard does not override the requirements of the other Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

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

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a financial report prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and

¹ ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

- (c) Forming an opinion and reporting on the financial report.

Definitions

6. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) [Deleted by the AUASB. Refer Aus 6.1]
- (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1–A4)
- Aus 6.1 Special purpose financial report means a complete set of financial statements*, including an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework. (Ref: Para. A1–A4)
7. [Deleted by the AUASB. Refer Aus 6.1]

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.³ In an audit of a special purpose financial report, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
- (a) The purpose for which the financial report is prepared;
- (b) The intended users; and
- (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

9. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.⁴ In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A12)
10. ASA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.⁵ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of that financial report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

² ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a).

* ASA 200, paragraph Aus 13.1.

³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁴ See ASA 200, paragraph 18.

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a special purpose financial report, the auditor shall apply the requirements in ASA 700.⁶ (Ref: Para. A13–A19)

Description of the Applicable Financial Reporting Framework

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework.⁷ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes any significant interpretations of the contract on which the financial report is based.
13. ASA 700 deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on a special purpose financial report:
- (a) The auditor's report shall also describe the purpose for which the financial report is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's⁸ responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial report is Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial report is prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. (Ref: Para. A20–A21)

* * *

⁶ ASA 700 *Forming an Opinion and Reporting on Financial Statements*.

⁷ See ASA 700, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para 6)

A1. Examples of special purpose frameworks are:

- A tax basis of accounting for a financial report that accompanies an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 The *Corporations Act 2001*,^{*} Australian Accounting Standards,[#] other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the *Corporations Act 2001*, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 *Presentation of Financial Statements* defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 *Australian Additional Disclosures* defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. "Reporting entities" are required to prepare general purpose financial statements. "Non-reporting entities" may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial report to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial report to imply full compliance with the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.

A4. A financial report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, that financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, the financial report is still considered to be a special purpose financial report for purposes of the Australian Auditing Standards. The requirements in paragraphs 13–14 are designed to avoid misunderstandings

* See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

about the purpose for which the financial report is prepared. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial report, or in the notes, or incorporated therein by cross-reference.⁹

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.¹⁰
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

A9. [Deleted by the AUASB. Refer Aus A9.1].

- Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of

⁹ See ASA 200, paragraph 13(f).

¹⁰ See ASA 210, paragraph 18.

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transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.*

- A10. Application of some of the requirements of the Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.¹¹ In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. ASA 260 requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.¹² ASA 260 notes that, in some cases, all of those charged governance are involved in managing the entity, and the application of the communication requirements is modified to recognise this position.¹³ When a general purpose financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial report may not be the same as those charged with governance responsible for the oversight of the preparation of that general purpose financial report.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. The Appendix to this Auditing Standard contains illustrations of independent auditors' reports on a special purpose financial report. Other illustrations of auditor's reports may be relevant to reporting on a special purpose financial report (see for example, the Appendices to ASA 700, ASA 705,¹⁴ ASA 570,¹⁵ ASA 720, and ASA 706).¹⁶

Application of ASA 700 When Reporting on a Special Purpose Financial report

- A14. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply ASA 700 when forming an opinion and reporting on a special purpose financial report. In doing so, the auditor is also required to apply the reporting requirements in other Auditing Standards and may find the special considerations addressed in paragraphs A15–A19 below helpful.

Going Concern

- A15. A special purpose financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial report prepared on a tax basis in particular jurisdictions).¹⁷ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial report, the description in the auditor's report of management's responsibilities¹⁸ relating to going concern may need to be adapted as

* See ASA 200, paragraphs 14, 18 and Aus 23.1.

¹¹ See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

¹² ASA 260 *Communication with Those Charged with Governance*.

¹³ See ASA 260, paragraph A8.

¹⁴ ASA 705, *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁵ ASA 570, *Going Concern*.

¹⁶ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

¹⁷ See ASA 570, *Going Concern*, paragraph 2.

¹⁸ See ASA 700, paragraphs 34(b) and A48.

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necessary. The description in the auditor's report of the auditor's responsibilities¹⁹ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A16. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701²⁰ for audits of a general purpose financial report of listed entities. For audits of a special purpose financial report, ASA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial report is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a special purpose financial report, ASA 701 applies in its entirety.²¹

Other Information

- A17. ASA 720²² deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the special purpose financial report—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial report—are considered to be annual reports for the purpose of ASA 720. In the case of a financial report prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial report. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the special purpose financial report.

Name of the Engagement Partner

- A18. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of a special purpose financial report of listed entities.²³ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a special purpose financial report of entities other than listed entities.

Inclusion of a Reference to the Auditor's Report on the General purpose financial report

- A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial report, to the auditor's report on the general purpose financial report or to matter(s) reported therein (see ASA 706).²⁴ For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial report to a Material Uncertainty Related to Going Concern section included in the auditor's report on the general purpose financial report.

Alerting Readers that the Financial report is Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

- A20. The special purpose financial report may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial report on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial report is prepared in accordance with a special purpose framework and, therefore,

¹⁹ See ASA 700, paragraph 39(b)(iv).

²⁰ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

²¹ See ASA 700, paragraph 31.

²² ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

²³ See ASA 700, paragraphs 45 and A56–A58.

²⁴ See ASA 706, paragraphs 10–11.

may not be suitable for another purpose. ASA 706 requires this paragraph to be included within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".²⁵

Restriction on Distribution or Use (Ref: Para. 14)

- A21. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly (see illustrations in the Appendix to this Auditing Standard).

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²⁵ See ASA 706, paragraph 9(a).

Appendix 1

(Ref: Para.A14)

Illustrations of Independent Auditor's Reports on a Special Purpose Financial Report

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

Illustration 3:[Deleted by the AUASB.]

[Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).

[Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

- For purposes of this illustrative auditor's report, the following circumstances are assumed:
- The financial report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks. The financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- An auditor's report on the general purpose financial report was not issued.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the balance sheet as at 31 December, 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Company for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract dated 1 January 20X1 between the Company and DEF Company ("the contract"). [Opinion section positioned first as required in ASA 700]

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management's²⁶ and Those Charged with Governance for the Financial report²⁷

Management is responsible for the preparation of the financial report in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial report

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

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's

²⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

²⁷ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation of the financial report audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.²⁸
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

*Signature**

[Date of the auditor's report]

[Auditor's address]

²⁸ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

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

- Audit of a financial report that has been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks. This financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Partnership (the Partnership), which comprises the balance sheet as at 31 December 20X1 and the income statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies.

In our opinion, the accompanying financial report of the Partnership for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with [*describe the applicable income tax law*] of Jurisdiction X. [Opinion section positioned first as required in ASA 700]

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Partnership in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management's²⁹ and Those Charged with Governance for the Financial report³⁰

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

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

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

Auditor's Responsibilities for the Audit of the Financial report

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

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

²⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

³⁰ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control.³¹
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

[Signature] [Date of the auditor's report]*

[Auditor's address]

³¹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

[Aus] Illustration 4:

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

- Audit of the financial report of a small proprietary company controlled by a foreign company and is required to lodge a financial report with the Australian Securities and Investments Commission (ASIC). The entity is a non-reporting entity.
- The financial report is prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial statements in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained under the *Corporations Act 2001*, accordingly the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of ABC Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the company's financial position as at 31 December 20X1 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note X, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the 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* (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.

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 report*.

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Report

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

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*].

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

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

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

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

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

[Aus] Illustration 5:

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

- Audit of the financial report prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the *applicable legislation*. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is not prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial statements in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained and the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements' assertion statement*.

In our opinion, the accompanying financial report presents fairly, in all material respects, (or *give a true and fair view of*) the financial position of the Entity as at 31 December 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of the *applicable legislation*].

* Or other appropriate description.

Basis for Opinion

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

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

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared to assist ABC Entity to meet the requirements of the *applicable legislation*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *applicable legislation* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher

Proposed Auditing Standard ASA 800

Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

[Signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Summary of Differences — Proposed Revised ASA 800 and Existing ASA 800***Summary of Main Differences — ASA 800 and Existing ASA 800***

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 800. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 800 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 800 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 800 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 800 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a special purpose financial report. (Ref. Para. A18)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

EXPOSURE DRAFT

ED 02/16

(April 2016)

Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

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

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **31 May 2016**. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 02/16

The AUASB issues Exposure Draft ED 02/16 of proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and will replace the current ASA 805 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

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

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* by no later than **31 May 2016**. The AUASB is seeking comments from respondents on the following questions:

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

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments,

whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Conformity with International Standards on Auditing

| This Auditing Standard conforms with International Standard on Auditing ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 805.

Draft

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

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

Operative Date

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

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit.
(Ref: Para. A1–A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of [a group financial report](#) (see ASA 600).²
3. This Auditing Standard does not override the requirements of the other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

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

¹ ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

² ASA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
- (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For purposes of this Auditing Standard, reference to:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or to a specific element of a financial statement includes the related disclosures. (Ref: Para. A2)

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial report in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5–A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8–A9)

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6,7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10–A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ and, when applicable, ASA 800 adapted as necessary in the circumstances of the engagement. (Ref: Para. A16–A22)

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of that Financial report

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. The audited single financial statement or the audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

14. If the auditor's report on an entity's financial report includes:
- (a) A modified, opinion in accordance with ASA 705;⁹
 - (b) An Emphasis of Matter paragraph or an Other Matter paragraph, in accordance with ASA 706,¹⁰

⁵ See ASA 210, paragraph 10(e).

⁶ See ASA 200, paragraph 2.

⁷ ASA 200, paragraph 13(f), explains that the term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.

⁸ ASA 700 *Forming an Opinion and Reporting on Financial Statements*.

⁹ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁰ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

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- (c) A Material Uncertainty Related to Going Concern section in accordance with ASA 570;¹¹
- (d) Communication of key audit matters in accordance with ASA 701;¹² or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹³

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report

- 15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element of that financial report.¹⁴ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report as a whole. (Ref: Para. A128)
- 16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element of that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
 - (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The element does not constitute a major portion of the entity's financial report.
- 17. The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

¹¹ See ASA 570 *Going Concern*, paragraph 22.

¹² See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13.

¹³ See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii).

¹⁴ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 15.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1, 6(c))

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁵
- A2. ASA 200 defines the term “financial ~~report~~statements” as a structured representation of historical financial information, including disclosures related, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial ~~report~~statements” ordinarily refers to a complete set of financial ~~report~~statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹⁶ As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹⁷ they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000.¹⁸

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁹
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be

¹⁵ See ASA 200, paragraph 13(g).

¹⁶ See ASA 200, paragraph 13(f).

¹⁷ See ASA 200, paragraph 2.

¹⁸ ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁹ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

practicable when the auditor is not also engaged to audit the entity's financial report. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570²⁰ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial report (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.²¹ In accordance with ASA 700:²²
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases:
 - (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
 - (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the specific element of the financial statement. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial report (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of

²⁰ ASA 570 *Going Concern*.

²¹ See ASA 200, paragraph 8.

²² See ASA 700, paragraphs 25–26.

the applicable financial reporting framework. Factors that may affect the auditor's consideration as to whether to use the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the specific element of a financial statement include the related disclosures.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor's decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,²³ ASA 550²⁴ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.
- A11. ASA 260 requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.²⁵ ASA 260 notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognise this position.²⁶ When a financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the single financial statement or the element may not be the same as those charged with governance responsible for the oversight of the preparation of the financial report.
- A12. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement²⁷ or of a specific element of a financial statement.²⁸ For example, written representations from management about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A13. Matters included in the auditor's report on the financial report may have implications for the audit of a single financial statement or of an element of a financial statement (see paragraph 14). When planning and performing an audit of a single financial statement or a

²³ ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

²⁴ ASA 550 *Related Parties*.

²⁵ See ASA 260 *Communication with Those Charged with Governance*, paragraph 11.

²⁶ See ASA 260, paragraph 10(b), 13, A1 (third bullet), A2 and A8.

²⁷ See ASA 200, paragraph 2.

²⁸ See ASA 200, paragraph 2.

specific element of a financial statement in conjunction with the audit of the entity's financial report, the auditor may be able to use audit evidence obtained as part of the audit of the financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

- A14. The individual financial statements that comprise a financial report, and many of the specific elements of that financial report, including their related disclosures, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A15. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A16. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²⁹ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ASA 700, ASA 705, ASA 570, ASA 720, and ASA 706).

Application of ASA 700 When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

- A18. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply the requirements in ASA 700, adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other Australian Auditing Standards adapted as necessary in the circumstances of the engagement, and may find the considerations addressed in paragraphs A19–A21 below helpful.

Going Concern

- A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities³⁰ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's

²⁹ See ASA 700, paragraph 13(e).

³⁰ See ASA 700, paragraphs 34(b) and A48.

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responsibilities³¹ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A20. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701 for audits of a general purpose financial report of listed entities.³² For audits of a single financial statement or a specific element of a financial statement, ASA 701 only applies when communication of key audit matters in the auditor's report on such financial report or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ASA 701 applies in its entirety.³³

Other Information

- A21. ASA 720 deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ASA 720. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

- A22. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial report of listed entities or specific elements of financial report of listed entities.³⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than listed entities.

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of a Financial Statement (Ref: Para. 14)

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

- A23. Paragraph 14 requires the auditor to consider the implications, if any, of certain matters included in the auditor's report on the financial report for the audit of the single financial statement or the specific element of a financial statement and for the auditor's report thereon. Considering whether a matter included in the auditor's report on a financial report is relevant in the context of an engagement to report on a single financial statement or a specific element of a financial statement involves professional judgement.
- A24. Factors that may be relevant in considering those implications include:
- The nature of the matter(s) being described in the auditor's report on the financial report and the extent to which it relates to what is included in the single financial statement or a specific element of a financial statement.

³¹ See ASA 700, paragraphs 39(b)(iv).

³² See ASA 700, paragraph 30.

³³ See ASA 700, paragraph 31.

³⁴ See ASA 700, paragraphs 46 and A61–A63.

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- The pervasiveness of the matter(s) described in the auditor's report on the financial report.
 - The nature and extent of the differences between the applicable financial reporting frameworks.
 - The extent of the difference between the period(s) covered by the financial report compared to the period(s) or dates of the single financial statement or the element of a financial statement.
 - The time elapsed since the date of the auditor's report on the financial report.
- A25. For example, in the case when there is a qualification of the auditor's opinion in relation to accounts receivable in the auditor's report on the financial report, and the single financial statement includes accounts receivable, or the specific element of a financial statement relates to accounts receivable, it is likely that there would be implications for the audit. On the other hand, if the qualification of the auditor's opinion on the financial report relates to classification of long-term debt, then it is less likely that there would be implications for an audit of the single financial statement that is the income statement, or if the specific element of the financial statement relates to accounts receivable.
- A26. Key audit matters that are communicated in the auditor's report on the financial report may have implications for an audit of a single financial statement or the specific element of the financial statement. The information included in the Key Audit Matters section about how the matter was addressed in the audit of the financial report may be useful to the auditor's determination of how to address the matter when it is relevant to the audit of the single financial statement or the specific element of the financial statement.

Inclusion of a reference to the auditor's report on the financial report

- A27. Even when certain matters included in the auditor's report on the financial report do not have implications for the audit of, or for the auditor's report on, the single financial statement or the specific element of a financial statement, the auditor may deem it appropriate to refer to the matter(s) in an Other Matter paragraph in an auditor's report on the single financial statement or on the specific element of a financial statement (see ASA 706).³⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the single financial statement or a specific element of the financial statement to a Material Uncertainty Related to Going Concern section included in the auditor's report on the financial report.

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report (Ref: Para. 15)

- A28. In the auditor's report on an entity's financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial report as a whole.³⁶

³⁵ See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 10–11.

³⁶ See ASA 510 *Initial Audit Engagements—Opening Balances*, paragraph A8, and ISA 705, paragraph A16.

Appendix 1

(Ref: Para.A3)

Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private superannuation plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, of a financial statement of a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework)

Draft

Example Auditor’s Report
General Purpose – Financial Statement – Statement of
Financial Position
(Fair Presentation Framework)

Illustration 1:

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

- Audit of a ~~balance sheet~~statement of financial position (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the Corporations Act 2001.
- The ~~balance sheet~~statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a ~~balance sheet~~statement of financial position.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants.
- ~~The relevant ethical requirements that apply to the audit are those of the jurisdiction.~~
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570-~~(Revised)~~. The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the ~~balance sheet~~statement of financial position.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720-~~(Revised)~~ do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the ~~balance sheet~~statement of financial position of ABC Company (the Company) as at 31 December 20X1 and notes to the financial statement, including a summary of significant accounting policies (together “the financial statement”).

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In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as at 31 December 20X1 in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement.[Opinion section positioned first as required in ASA 700. ~~(Revised)~~]

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing ~~(ASAs)~~. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the code) that are relevant to our audit of the financial statement in ~~[jurisdiction]~~ Australia, and we have fulfilled our other ethical responsibilities in accordance with ~~these that requirements~~code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700 ~~(Revised)~~.]

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management's³⁷ and Those Charged with Governance for the Financial Statement³⁸

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

³⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

³⁸ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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Paragraph 41(b) of ASA 700 ~~(Revised)~~ explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 ~~(Revised)~~ explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

- As part of an audit in accordance with [ASAs/Australian Auditing Standards](#), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.³⁹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.^{*}
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

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

[Date of the auditor's report]

[Auditor's address]

³⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances." This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

^{*} The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Example Auditor’s Report
General Purpose – Financial Statement – Statement of
Cash Receipts and Disbursements
(Fair Presentation Framework)

[Date]

Illustration 2: ~~An auditor’s report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework.~~

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

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the Corporations Act 2001.
- An auditor’s report on the ~~complete set of~~ financial report was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.⁴⁰
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants.
- ~~The relevant ethical requirements that apply to the audit are those of the jurisdiction.~~
- Distribution or use of the auditor’s report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570-~~(Revised)~~.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720-~~(Revised)~~ do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

⁴⁰ ASA 800-~~(Revised)~~ contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of cash receipts and disbursements of ABC Company (the Company) for the year ended 31 December 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Company for the year ended 31 December 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X. [Opinion section positioned first as required in ASA 700 ~~(Revised)~~].

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing ~~(ASAs)~~. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements [of the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants \(the code\)](#) that are relevant to our audit of the financial statement in ~~[jurisdiction]~~ Australia, and we have fulfilled our other ethical responsibilities in accordance with ~~these that requirements code~~. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700 ~~(Revised)~~.]

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management’s⁴¹ and Those Charged with Governance for the Financial Statement⁴²

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an

⁴¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁴² Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

audit conducted in accordance with [ASAs—Australian Auditing Standards](#) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Paragraph 41(b) of ASA 700 (~~Revised~~) explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. [When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>](#)

As part of an audit in accordance with [ASAs—Australian Auditing Standards](#), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴³
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

~~[Signature]~~^{*} ~~in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]~~

~~[Date of the auditor's report]~~

~~[Auditor's address]~~

~~[Date]~~

⁴³ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

^{*} [The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.](#)

Illustration 3: An auditor's report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework⁴⁴.

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

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁴⁴
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Distribution of the auditor's report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570 (Revised).
- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ASA 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[To the Shareholders of ABC Company or Other Appropriate Addressee]

Opinion

We have audited the accounts receivable schedule of ABC Company (the Company) as at 31 December 20X1 ("the schedule").

In our opinion, the financial information in the schedule the Company as at 31 December 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator]. [Opinion section positioned first as required ASA 700 (Revised)]

⁴⁴ ASA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing (ASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the schedule in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after opinion section as required in ASA 700 (Revised).]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management's⁴⁵ and Those Charged with Governance for the Schedule⁴⁶

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Schedule

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

Paragraph 41(b) of ASA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

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

⁴⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁴⁶ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

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Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴⁷

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,

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

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

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

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

[Auditor's address]

[Date]

⁴⁷ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

Summary of Differences — Proposed Revised ASA 805 and Existing ASA 805

Summary of Main Differences — ASA 805 and Existing ASA 805

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 805. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 805 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 805 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 805 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 805 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a single financial statement or a specific element of a financial statement. (Ref. Para. A22)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

EXPOSURE DRAFT

ED 02/16

(April 2016)

Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

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

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 31 May 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 02/16

The AUASB issues Exposure Draft ED 02/16 of proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and will replace the current ASA 805 issued by the AUASB in October 2009 (as amended).

This proposed Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

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

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* by no later than 31 May 2016. The AUASB is seeking comments from respondents on the following questions:

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

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments,

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 805.

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

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

Operative Date

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

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit.
(Ref: Para. A1–A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report (see ASA 600).²
3. This Auditing Standard does not override the requirements of the other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

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

¹ ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

² ASA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*.

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
- (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For purposes of this Auditing Standard, reference to:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or to a specific element of a financial statement includes the related disclosures. (Ref: Para. A2)

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial report in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5–A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8–A9)

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6,7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10–A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ and, when applicable, ASA 800 adapted as necessary in the circumstances of the engagement. (Ref: Para. A16–A22)

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of that Financial report

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. The audited single financial statement or the audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

14. If the auditor's report on an entity's financial report includes:
- (a) A modified, opinion in accordance with ASA 705;⁹
 - (b) An Emphasis of Matter paragraph or an Other Matter paragraph, in accordance with ASA 706,¹⁰

⁵ See ASA 210, paragraph 10(e).

⁶ See ASA 200, paragraph 2.

⁷ ASA 200, paragraph 13(f), explains that the term "financial statements" ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework.

⁸ ASA 700 *Forming an Opinion and Reporting on Financial Statements*.

⁹ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁰ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

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- (c) A Material Uncertainty Related to Going Concern section in accordance with ASA 570;¹¹
- (d) Communication of key audit matters in accordance with ASA 701;¹² or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹³

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report

- 15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element of that financial report.¹⁴ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report as a whole. (Ref: Para. A128)
- 16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element of that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
 - (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The element does not constitute a major portion of the entity's financial report.
- 17. The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

¹¹ See ASA 570 *Going Concern*, paragraph 22.

¹² See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13.

¹³ See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii).

¹⁴ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*, paragraph 15.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1, 6(c))

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁵
- A2. ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures related, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹⁶ As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹⁷ they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000.¹⁸

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁹
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s financial report. In such

¹⁵ See ASA 200, paragraph 13(g).

¹⁶ See ASA 200, paragraph 13(f).

¹⁷ See ASA 200, paragraph 2.

¹⁸ ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁹ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570²⁰ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial report (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.²¹ In accordance with ASA 700:²²
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases:
 - (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
 - (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the specific element of the financial statement. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial report (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's

²⁰ ASA 570 *Going Concern*.

²¹ See ASA 200, paragraph 8.

²² See ASA 700, paragraphs 25–26.

consideration as to whether to use the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the specific element of a financial statement include the related disclosures.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor’s decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,²³ ASA 550²⁴ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.
- A11. ASA 260 requires the auditor to determine the appropriate person(s) within the entity’s governance structure with whom to communicate.²⁵ ASA 260 notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognise this position.²⁶ When a financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the single financial statement or the element may not be the same as those charged with governance responsible for the oversight of the preparation of the financial report.
- A12. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement²⁷ or of a specific element of a financial statement.²⁸ For example, written representations from management about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A13. Matters included in the auditor’s report on the financial report may have implications for the audit of a single financial statement or of an element of a financial statement (see paragraph 14). When planning and performing an audit of a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity’s financial

²³ ASA 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report*.

²⁴ ASA 550 *Related Parties*.

²⁵ See ASA 260 *Communication with Those Charged with Governance*, paragraph 11.

²⁶ See ASA 260, paragraph 10(b), 13, A1 (third bullet), A2 and A8.

²⁷ See ASA 200, paragraph 2.

²⁸ See ASA 200, paragraph 2.

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report, the auditor may be able to use audit evidence obtained as part of the audit of the financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

- A14. The individual financial statements that comprise a financial report, and many of the specific elements of that financial report, including their related disclosures, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A15. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A16. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²⁹ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ASA 700, ASA 705, ASA 570, ASA 720, and ASA 706).

Application of ASA 700 When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

- A18. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply the requirements in ASA 700, adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other Australian Auditing Standards adapted as necessary in the circumstances of the engagement, and may find the considerations addressed in paragraphs A19–A21 below helpful.

Going Concern

- A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities³⁰ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's

²⁹ See ASA 700, paragraph 13(e).

³⁰ See ASA 700, paragraphs 34(b) and A48.

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responsibilities³¹ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A20. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701 for audits of a general purpose financial report of listed entities.³² For audits of a single financial statement or a specific element of a financial statement, ASA 701 only applies when communication of key audit matters in the auditor's report on such financial report or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ASA 701 applies in its entirety.³³

Other Information

- A21. ASA 720 deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ASA 720. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

- A22. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial report of listed entities or specific elements of financial report of listed entities.³⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than listed entities.

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of a Financial Statement (Ref: Para. 14)

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

- A23. Paragraph 14 requires the auditor to consider the implications, if any, of certain matters included in the auditor's report on the financial report for the audit of the single financial statement or the specific element of a financial statement and for the auditor's report thereon. Considering whether a matter included in the auditor's report on a financial report is relevant in the context of an engagement to report on a single financial statement or a specific element of a financial statement involves professional judgement.
- A24. Factors that may be relevant in considering those implications include:
- The nature of the matter(s) being described in the auditor's report on the financial report and the extent to which it relates to what is included in the single financial statement or a specific element of a financial statement.

³¹ See ASA 700, paragraphs 39(b)(iv).

³² See ASA 700, paragraph 30.

³³ See ASA 700, paragraph 31.

³⁴ See ASA 700, paragraphs 46 and A61–A63.

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- The pervasiveness of the matter(s) described in the auditor's report on the financial report.
- The nature and extent of the differences between the applicable financial reporting frameworks.
- The extent of the difference between the period(s) covered by the financial report compared to the period(s) or dates of the single financial statement or the element of a financial statement.
- The time elapsed since the date of the auditor's report on the financial report.

A25. For example, in the case when there is a qualification of the auditor's opinion in relation to accounts receivable in the auditor's report on the financial report, and the single financial statement includes accounts receivable, or the specific element of a financial statement relates to accounts receivable, it is likely that there would be implications for the audit. On the other hand, if the qualification of the auditor's opinion on the financial report relates to classification of long-term debt, then it is less likely that there would be implications for an audit of the single financial statement that is the income statement, or if the specific element of the financial statement relates to accounts receivable.

A26. Key audit matters that are communicated in the auditor's report on the financial report may have implications for an audit of a single financial statement or the specific element of the financial statement. The information included in the Key Audit Matters section about how the matter was addressed in the audit of the financial report may be useful to the auditor's determination of how to address the matter when it is relevant to the audit of the single financial statement or the specific element of the financial statement.

Inclusion of a reference to the auditor's report on the financial report

A27. Even when certain matters included in the auditor's report on the financial report do not have implications for the audit of, or for the auditor's report on, the single financial statement or the specific element of a financial statement, the auditor may deem it appropriate to refer to the matter(s) in an Other Matter paragraph in an auditor's report on the single financial statement or on the specific element of a financial statement (see ASA 706).³⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the single financial statement or a specific element of the financial statement to a Material Uncertainty Related to Going Concern section included in the auditor's report on the financial report.

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report (Ref: Para. 15)

A28. In the auditor's report on an entity's financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial report as a whole.³⁶

³⁵ See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 10–11.

³⁶ See ASA 510 *Initial Audit Engagements—Opening Balances*, paragraph A8, and ISA 705, paragraph A16.

Appendix 1

(Ref: Para.A3)

Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private superannuation plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, of a financial statement of a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework)

**Example Auditor’s Report
General Purpose – Financial Statement – Statement of
Financial Position
(Fair Presentation Framework)**

Illustration 1:

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

- Audit of a statement of financial position (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- The statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a statement of financial position.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570. The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of financial position.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of financial position of ABC Company (the Company) as at 31 December 20X1 and notes to the financial statement, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as at 31 December 20X1 in accordance with those requirements of

the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement.[Opinion section positioned first as required in ASA 700.]

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management's³⁷ and Those Charged with Governance for the Financial Statement³⁸

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statement

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

³⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

³⁸ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

- As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.³⁹
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

[Signature]*

[Date of the auditor's report]

[Auditor's address]

³⁹ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances." This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

**Example Auditor’s Report
General Purpose – Financial Statement – Statement of
Cash Receipts and Disbursements
(Fair Presentation Framework)**

Illustration 2:

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

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- An auditor’s report on the financial report was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.⁴⁰
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects,” in the auditor’s opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Distribution or use of the auditor’s report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

⁴⁰ ASA 800 contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of cash receipts and disbursements of ABC Company (the Company) for the year ended 31 December 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Company for the year ended 31 December 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X. [Opinion section positioned first as required in ASA 700].

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor’s Responsibility section. Also, the Basis for Opinion section is positioned immediately after the Opinion section as required in ASA 700.]

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management’s⁴¹ and Those Charged with Governance for the Financial Statement⁴²

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

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

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material

⁴¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁴² Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

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

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴³
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

*[Signature]**

[Date of the auditor's report]

[Auditor's address]

⁴³ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Illustration 3: An auditor's report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework.

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

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁴⁴
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are those of the jurisdiction.
- Distribution of the auditor's report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570 (Revised).
- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ASA 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 (Revised) do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[To the Shareholders of ABC Company or Other Appropriate Addressee]

Opinion

We have audited the accounts receivable schedule of ABC Company (the Company) as at 31 December 20X1 ("the schedule").

In our opinion, the financial information in the schedule the Company as at 31 December 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator]. [Opinion section positioned first as required ASA 700 (Revised)]

⁴⁴ ASA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing (ASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the schedule in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. [The first and last sentences in this section used to be in the Auditor's Responsibility section. Also, the Basis for Opinion section is positioned immediately after opinion section as required in ASA 700 (Revised).]

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management's⁴⁵ and Those Charged with Governance for the Schedule⁴⁶

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Schedule

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

Paragraph 41(b) of ASA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

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

⁴⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁴⁶ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Proposed Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴⁷

Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,

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

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

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

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

[Auditor's address]

[Date]

⁴⁷ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

Summary of Differences — Proposed Revised ASA 805 and Existing ASA 805

Summary of Main Differences — ASA 805 and Existing ASA 805

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 805. *This summary should not be used as a complete list of all changes made.*

- The enhancements from the new and revised auditor reporting standards would apply to ASA 805 engagements. However the reporting requirements in ASA 700 are not repeated in ASA 805 (Proposed Revised). ASA 700 contains the overarching reporting requirements applicable for a special purpose financial report and only additional requirements and guidance as considered necessary as included in ASA 805 (Proposed Revised).
- New application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 805 (Proposed Revised) engagement.
- The auditor is required to include the name of the engagement partner in the auditor's report on a single financial statement or a specific element of a financial statement.
(Ref. Para. A22)
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.
- Incorporate changes as a result of the release of ASA 720.

Compiled Auditing Standard

ASA 800
(December 2015)

Auditing Standard ASA 800

Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

This compilation was prepared on 1 December 2015 taking into account amendments made by ASA 2011-1, ASA 2013-3 and ASA 2015-1

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

The most recently compiled versions of Auditing Standards, original Standards and amending Standards (see Compilation Details) are available on the AUASB website: www.auasb.gov.au

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COMPILATION DETAILS***Auditing Standard ASA 800 Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (as Amended)***

This compilation takes into account amendments made up to and including 1 December 2015 and was prepared on 1 December 2015 by the Auditing and Assurance Standards Board (AUASB).

This compilation is not a separate Auditing Standard made by the AUASB. Instead, it is a representation of ASA 800 (October 2009) as amended by other Auditing Standards which are listed in the Table below.

Table of Standards

Standard	Date made	Operative Date
ASA 800 [A]	27 October 2009	Financial reporting periods commencing on or after 1 January 2010
ASA 2011-1 [B]	27 June 2011	Financial reporting periods commencing on or after 1 July 2011
ASA 2013-3 [C]	1 July 2013	Financial reporting periods commencing on or after 1 July 2013
ASA 2015-1 [D]	1 December 2015	Financial reporting periods ending on or after 15 December 2016

[A] Federal Register of Legislative Instruments – registration number F2009L04106, 27 October 2009

[B] Federal Register of Legislative Instruments – registration number F2011L01379, 30 June 2011

[C] Federal Register of Legislative Instruments – registration number F2013L01326, 5 July 2013

[D] Federal Register of Legislative Instruments – registration number F2015L02032, 16 December 2015

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
Appendix 1 Illustration 3	Amended	ASA 2011-1 [76]
Appendix 1 [Aus] Illustration 4	Amended	ASA 2011-1 [77]
Appendix 1 [Aus] Illustration 4	Amended	ASA 2011-1 [78]
Appendix 1 [Aus] Illustration 4	Amended	ASA 2011-1 [79]

Auditing Standard ASA 800***Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks***

Paragraph affected	How affected	By ... [paragraph]
Appendix 1 [Aus] Illustration 4	Amended	ASA 2011-1 [80]
Appendix 1 [Aus] Illustration 5	Amended	ASA 2011-1 [81]
Appendix 1 [Aus] Illustration 5	Amended	ASA 2011-1 [82]
Appendix 1 [Aus] Illustration 5	Amended	ASA 2011-1 [83]
Appendix 1 [Aus] Illustration 5	Amended	ASA 2011-1 [84]
Appendix 1 Illustration 1, 2 and 3	Amended	ASA 2011-1 [85]
Appendix 1 Illustrations 1, 2 and 3 [Aus] Illustration 4 [Aus] Illustration 5	Amended	ASA 2011-1 [86]
Appendix 1 [Aus] Illustration 4	Amended	ASA 2013-3 [16]
Aus 6.1	Amended	ASA 2015-1 [186]

AUTHORITY STATEMENT

Auditing Standard ASA 800 *Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (as amended to 1 December 2015) is set out in paragraphs Aus 0.1 to A15 and Appendix 1.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: 1 December 2015

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 800 *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

Compliance with this Auditing Standard enables compliance with ISA 800.

AUDITING STANDARD ASA 800

The Auditing and Assurance Standards Board (AUASB) made Auditing Standard ASA 800 *Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*, on 27 October 2009.

This compiled version of ASA 800 incorporates subsequent amendments contained in other Auditing Standards made by the AUASB up to and including 1 December 2015 (see Compilation Details).

AUDITING STANDARD ASA 800

Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Application

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

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010. [Note: For operative dates of paragraphs changed or added by an Amending Standard, see Compilation Details.]

Introduction

Scope of this Auditing Standard

1. The Australian Auditing Standards in the ASA 100 – ASA 700 series apply to an audit of a financial report. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a financial report prepared in accordance with a special purpose framework.
2. This Auditing Standard is written in the context of a financial report prepared in accordance with a special purpose framework. ASA 805¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account, or item of a financial statement.

¹ See ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

3. This Auditing Standard does not override the requirements of the other Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

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

Objective

5. Standards in an audit of a financial report prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
- (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and
 - (c) Forming an opinion and reporting on the financial report.

Definitions

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

- (a) [Deleted by the AUASB. Refer Aus 6.1]
- (b) Special purpose framework means a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1-A4)

Aus 6.1 Special purpose financial report means a complete set of financial statements,* including an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework (Ref: Para A1-A4)

7. [Deleted by the AUASB. Refer Aus 6.1]

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.³ In an audit of a special purpose financial report, the auditor shall obtain an understanding of:
- (a) The purpose for which the financial report is prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances. (Ref: Para. A5-A8)

² See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 13(a).

* See ASA 200, paragraph Aus 13.1.

³ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

Considerations When Planning and Performing the Audit

9. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.⁴ In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9-A12)
10. ASA 315 requires the auditor to obtain an understanding of the entity's selection and application of accounting policies.⁵ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of that financial report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a special purpose financial report, the auditor shall apply the requirements in ASA 700.⁶ (Ref: Para. A13)

Description of the Applicable Financial Reporting Framework

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers to, or describes the applicable financial reporting framework.⁷ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes any significant interpretations of the contract on which the financial report is based.
13. ASA 700 deals with the form and content of the auditor's report. In the case of an auditor's report on a special purpose financial report:
 - (a) The auditor's report shall also describe the purpose for which the financial report is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's⁸ responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial Report is Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on the special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial report is prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading. (Ref: Para. A14-A15)

* * *

⁴ See ASA 200, paragraph 18.

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

⁶ See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁷ See ASA 700, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para. 6-Aus 6.1)

A1. Examples of special purpose frameworks are:

- A tax basis of accounting for a financial report that accompanies an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 The *Corporations Act 2001*,* Australian Accounting Standards,# other applicable law or regulation, or specific users of the financial report, may determine if a financial report is required to be prepared. Australian Accounting Standards provide the applicable financial reporting framework for determining if the entity is a "reporting entity"[†] or a "non-reporting entity" and consequently if the financial report is required to be general purpose or special purpose. For "reporting entities" preparing a financial report under the *Corporations Act 2001*, the applicable framework is general purpose. For "non-reporting entities" preparing a financial report under the *Corporations Act 2001*, the applicable framework may be general purpose or special purpose.[§]

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial report to be prepared in accordance with most, but not all, of the Australian Accounting Standards. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial report to imply full compliance with the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Australian Accounting Standards.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.

A4. A financial report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, that financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, it is still considered to be a financial report prepared in accordance with a special purpose framework under Australian

* See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

† See, for example, *Glossary of Defined Terms* (June 2009) or *Statement of Accounting Concepts 1 Definition of the Reporting Entity* (August 1990) issued by the AASB.

§ See, for example, ASIC Regulatory Guide 85 *Reporting Requirements for non-reporting entities* (July 2005).

Auditing Standards. The requirements in paragraphs 13-14 are designed to avoid misunderstandings about the purpose for which the financial report is prepared.

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.⁹
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

A9. [Deleted by the AUASB. Refer Aus A9.1]

- Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the

⁹ See ASA 210, paragraph 18.

auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.¹⁰

- A10. Application of some of the requirements of the Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.¹¹ In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. Communication with those charged with governance in accordance with Australian Auditing Standards is based on the relationship between those charged with governance and the financial report subject to audit, in particular, whether those charged with governance are responsible for overseeing the preparation of that financial report. In the case of a special purpose financial report, those charged with governance may not have such a responsibility; for example, when the financial information is prepared solely for management's use. In such cases, the requirements of ASA 260¹² may not be relevant to the audit of the special purpose financial report, except when the auditor is also responsible for the audit of the entity's general purpose financial report or, for example, has agreed with those charged with governance of the entity to communicate to them relevant matters identified during the audit of the special purpose financial report.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. Appendix 1 to this Auditing Standard contains illustrations of auditors' reports on special purpose financial reports.

Alerting Readers that the Financial Report is Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

- A14. The special purpose financial report may be used for purposes other than that for which it was intended. For example, a regulator may require certain entities to place the special purpose financial report on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report that the financial report is prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose.

Restriction on Distribution or Use (Ref: Para. 14)

- A15. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly.

¹⁰ See ASA 200, paragraphs 14, 18, Aus 22.1 and Aus 23.1.

¹¹ See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

¹² See ASA 260 *Communication with Those Charged with Governance*.

Appendix 1

(Ref: Para. A13)

Illustrations of Auditors' Reports on Special Purpose Financial Reports

- Illustration 1: An auditor's report on a financial report prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor's report on a financial report prepared in accordance with the tax basis of accounting (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor's report on a financial report prepared in accordance with the financial reporting provisions established by a regulatory authority (for purposes of this illustration, a fair presentation framework).
- [Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).
- [Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *Applicable State Act* (for purposes of this illustration, a fair presentation framework).

Example Auditor's Report
Special Purpose Financial Report—Compliance with a Contract
(Compliance Framework)

Illustration 1:

Circumstances include the following:

- The financial report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework) to comply with the provisions of that contract. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- The financial report is *not* prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- Distribution and use of the auditor's report is restricted.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial report of ABC Entity, which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and management's assertion statement.* The financial report has been prepared by the management of ABC Entity based on the financial reporting provisions of Section Z of the contract dated 1 July 20X0 between ABC Entity and DEF Company ("the contract").

Management's¹³ Responsibility for the Financial Report

Management is responsible for the preparation of the financial report in accordance with the financial reporting provisions of Section Z of the contract; and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

* Or other appropriate term.

¹³ Or another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report of ABC Entity for the year ended 30 June 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract.

Basis of Accounting and Restriction on Distribution and Use

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist ABC Entity to comply with the financial reporting provisions of the contract referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for ABC Entity and DEF Company and should not be distributed to or used by parties other than ABC Entity or DEF Company.

[Auditor's signature]*

[Date of the auditor's report]#

[Auditor's address]

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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

**Example Auditor's Report
Special Purpose Financial Report—Tax Basis of Accounting
(Compliance Framework)**

Illustration 2:

Circumstances include the following:

- The financial report has been prepared by management of a partnership in accordance with the tax basis of accounting (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework.
- The financial report is *not* prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- Distribution and use of the auditor's report is restricted.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial report of ABC Partnership, which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and management's assertion statement.* The financial report has been prepared by management using the tax basis of accounting.

Management's¹⁴ Responsibility for the Financial Report

Management is responsible for the preparation of the financial report in accordance with the tax basis of accounting; and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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

* Or other appropriate term.

¹⁴ Or another term that is appropriate in the context of the legal framework in the particular jurisdiction.

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

Opinion

In our opinion, the financial report of ABC Partnership for the year ended 30 June 20X1 is prepared, in all material respects, in accordance with [describe the applicable income tax law].

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the partners of ABC Partnership in preparing their individual income tax returns. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for ABC Partnership and its partners and should not be distributed to parties other than ABC Partnership or its partners.

[Auditor's signature]*

[Date of the auditor's report]#

[Auditor's address]

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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

**Example Auditor's Report
Special Purpose Financial Report—Regulatory Authority Requirements
(Fair Presentation Framework)**

Illustration 3:

Circumstances include the following:

- The financial report has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulatory authority (that is, a special purpose framework) to meet the requirements of that authority. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is *not* prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The Other Matter paragraph refers to the fact that the auditor has also issued an auditor's report on the financial report prepared by ABC Entity for the same period in accordance with a general purpose framework.
- Distribution or use of the auditor's report is not restricted.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial report of ABC Entity, which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and management's assertion statement.* The financial report has been prepared by management based on the [financial reporting provisions of Section Y of Regulation Z].

Management's¹⁵ Responsibility for the Financial Report

Management is responsible for the preparation¹⁶ and fair presentation of the financial report in accordance with the [financial reporting provisions of Section Y of Regulation Z,] and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

* Or other appropriate term.

¹⁵ Or another term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁶ Where management's responsibility is to prepare a financial report that gives a true and fair view, this may read: "Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with the financial reporting provisions of section Y of Regulation Z, and for such..."

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation¹⁷ of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.¹⁸ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of ABC Entity as at 30 June 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting provisions of Section Y of Regulation Z].

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist ABC Entity to meet the requirements of Regulatory Authority DEF. As a result, the financial report may not be suitable for another purpose.

Other Matter

ABC Entity has prepared a separate financial report for the year ended 30 June 20X1 in accordance with Australian Accounting Standards on which we issued a separate auditor's report to the shareholders of ABC Entity dated 30 September 20X1.

[Auditor's signature]*

[Date of the auditor's report][#]

[Auditor's address]

¹⁷ In the case of footnote 16, this sentence may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control."

¹⁸ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial report, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances." In the case of footnote 16, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

[#] The date of the auditor's report is the date the auditor signs the report.

Example Auditor's Report
Special Purpose Financial Report—Corporations Act 2001
(Fair Presentation Framework)

[Aus] Illustration 4:

Circumstances include the following:

- The entity is a small proprietary company controlled by a foreign company and is required to lodge a financial report with the Australian Securities and Investments Commission (ASIC) under the *Corporations Act 2001*. The entity is a non-reporting entity.
- The financial report is prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- Distribution or use of the auditor's report is not restricted.

INDEPENDENT AUDITOR'S REPORT

[Appropriate addressee]

Report on the Financial Report[†]

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

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures

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

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that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ABC Company Ltd., would be in the same terms if given to the directors as at the time of the auditor's report.*

Opinion

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

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

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

Report on Other Legal and Regulatory Requirements

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

[Auditor's signature][#]

[Date of the auditor's report][†]

[Auditor's address]

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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

Example Auditor's Report
Special Purpose Financial Report—Applicable State Act (Year)
(Fair Presentation Framework)

[Aus] Illustration 5:

Circumstances include the following:

- The financial report is prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the *Applicable State Act (Year)*.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is *not* prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- Distribution or use of the auditor's report is not restricted.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

We have audited the accompanying financial report, being a special purpose financial report, of ABC Not-for-Profit Incorporated, which comprises the statement of financial position as at 30 June 20X1, the statement of comprehensive income and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the officers' assertion statement.*

Officers'† Responsibility for the Financial Report

The officers of ABC Not-for-Profit Incorporated are responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note X, is appropriate to meet the requirements of the *Applicable State Act*# and is appropriate to meet the needs of the members. The officers' responsibility also includes such internal control as the officers determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

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

* Or other appropriate term.

† Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Insert reference to appropriate framework.

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accounting policies used and the reasonableness of accounting estimates made by the officers, as well as evaluating the overall presentation of the financial report.

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

Opinion

In our opinion, the financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of ABC Not-for-Profit Incorporated as at 30 June 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of *Applicable State Act* (Year)].

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared to assist ABC Not-for-Profit Incorporated to meet the requirements of the *Applicable State Act*. As a result, the financial report may not be suitable for another purpose.

[Auditor's signature]*

[Date of the auditor's report]#

[Auditor's address]

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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

ASA 805
(December 2015)

Auditing Standard ASA 805

Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

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



Australian Government

Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing ASA 805

The AUASB issues Auditing Standard ASA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (1 December 2015) and will replace the current ASA 805 issued by the AUASB in October 2009.

This Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

The revision of ASA 805 reflect recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board.

AUTHORITY STATEMENT

Auditing Standard ASA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* (as amended to 1 December 2015) is set out in paragraphs Aus 0.1 to A18 and Appendices 1 and 2.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: 1 December 2015

M H Kelsall
Chairman - AUASB

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

Compliance with this Auditing Standard enables compliance with ISA 805.

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

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

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods ending on or after 1 January 2010. [Note: For operative dates of paragraphs changed or added by an Amending Standard, see Compilation Details.]

Introduction

Scope of this Auditing Standard

1. The Auditing Standards in the ASA 100 - ASA 700 series relate to an audit of a financial report and are to be applied as necessary in the circumstances of an audit of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit. (Ref: Para. A1-A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report (see ASA 600²).
3. This Auditing Standard does not override the requirements of other Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

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

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:

¹ See ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*.
² See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

- (a) The acceptance of the engagement;
- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement”;
 - (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
 - (c) A single financial statement or a specific element of a financial statement includes the related disclosures. The related disclosures ordinarily comprise explanatory or other descriptive information relevant to the financial statement or to the element.

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of the financial statements in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5-A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8-A9)

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁵ See ASA 210, paragraph 10(e).

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be applied as necessary in the circumstances of an audit of other historical financial information.^{6,7} In planning and performing the audit of a single financial statement or of a specific element of a financial statement, the auditor shall apply all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10-A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ as necessary in the circumstances of the engagement. (Ref: Para. A15-A16)

Reporting on the Entity's Financial Report and on a Single Financial Statement or on a Specific Element of that Financial Statement

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16 of this Auditing Standard, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report

14. If the opinion in the auditor's report on an entity's financial report is modified, or that report includes an Emphasis of Matter paragraph or an Other Matter paragraph, the auditor shall determine the effect that this may have on the auditor's report on a single financial statement or on a specific element of those financial statements. When deemed appropriate, the auditor shall modify the opinion on the single financial statement or on the specific element of a financial statement, or include an Emphasis of Matter paragraph or an Other Matter paragraph in the auditor's report, accordingly. (Ref: Para. A15, A17)
15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element that forms part of that financial report.⁹ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report. (Ref: Para. A18)
16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a

⁶ See ASA 200, paragraph 2.

⁷ See ASA 200, paragraphs Aus 13.1 and Aus 13.2.

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

⁹ See ASA 705 *Modification to the Opinion in the Independent Auditor's Report*, paragraph 15.

specific element that is included in that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:

- (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The specific element does not constitute a major portion of the entity's financial report.
17. The auditor shall not express an unmodified opinion on a single financial statement that forms part of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1)

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁰
- A2. [Deleted by the AUASB. Refer Aus A2.1]
- Aus A2.1 ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹¹ As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹² they are to be applied as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements ASAE 3000.¹³

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁴
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be

¹⁰ See ASA 200, paragraph 13(g).

¹¹ See ASA 200, paragraph Aus 13(f).

¹² See ASA 200, paragraph 2.

¹³ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁴ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

practicable when the auditor is not also engaged to audit the entity's financial report. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's financial report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570¹⁵ are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.*

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a financial report (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.¹⁶ In accordance with ASA 700:¹⁷
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases: (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the element. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial statements (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's consideration as to whether to use

¹⁵ See ASA 570 *Going Concern*.

* See, for example, ASAE 3100 *Compliance Engagements* or ASRE 2405, *Review of Historical Financial Information Other than a Financial Report*.

¹⁶ See ASA 200, paragraph 8.

¹⁷ See ASA 700, paragraphs 35-36.

the phrases “presents fairly, in all material respects,” or “gives a true and fair view” in the auditor’s opinion include:

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the element include the related notes.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor’s decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases “presents fairly, in all material respects,” or “gives a true and fair view”, in the auditor’s opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework, is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,¹⁸ ASA 550,¹⁹ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern assumption under the applicable financial reporting framework.
- A11. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report they are to be applied as necessary in the circumstances to the audit of a single financial statement or of a specific element of a financial statement.²⁰ For example, written representations from management, and where appropriate, those charged with governance, about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A12. When auditing a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity’s financial report, the auditor may be able to use audit evidence obtained as part of the audit of the entity’s financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.
- A13. The individual financial statements that comprise a financial report, and many of the elements of that financial report, including their related notes, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.

¹⁸ See ASA 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report*.

¹⁹ See ASA 550 *Related Parties*.

²⁰ See ASA 200, paragraph 2.

- A14. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A15. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²¹ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, including the related notes, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A16. Appendix 2 contains illustrations of auditors' reports on a single financial statement and on a specific element of a financial statement.

Modified Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Entity's Financial Report (Ref: Para. 14-17)

- A17. Even when the modified opinion on the entity's financial report, Emphasis of Matter paragraph or Other Matter paragraph does not relate to the audited financial statement or the audited element, the auditor may still deem it appropriate to refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report (see ASA 706).²²
- A18. [Deleted by the AUASB as not applicable in Australia.]²³

²¹ See ASA 700, paragraph 13(e).

²² See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 6.

²³ See ASA 510 *Initial Audit Engagements—Opening Balances*, Appendix 1, Illustration 2, and ASA 705, paragraph A16.

Appendix 1

(Ref: Para. A3)

EXAMPLES OF SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a superannuation fund, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation fund, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Appendix 2

(Ref: Para. A16)

ILLUSTRATIONS OF AUDITORS' REPORTS ON A SINGLE FINANCIAL STATEMENT AND ON A SPECIFIC ELEMENT OF A FINANCIAL STATEMENT

- Illustration 1: An auditor's report on a single financial statement prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element, account or item of a financial statement prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

**Example Auditor’s Report
General Purpose Financial Statement—Statement of Financial Position
(Fair Presentation Framework)**

Illustration 1:

Circumstances include the following:

- Audit of a statement of financial position (that is, a single financial statement).
- The statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework of Jurisdiction X using the basis of preparation described in Note X to the statement of financial position.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The single financial statement is *not* prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management’s responsibility for the single financial statement in ASA 210.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects”, in the auditor’s opinion.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of financial position of ABC Entity as at 30 June 20X1, a summary of significant accounting policies and other explanatory information, and management’s assertion statement* (together “the financial statement”). The financial statement has been prepared by management using the basis of preparation described in Note X.

Management’s²⁴ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with the basis of accounting described in Note X, and for such internal control as management determines is necessary to enable the preparation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

* Or other appropriate term.

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

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of the entity's internal control.²⁵ An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, made by management, as well as evaluating the overall presentation of the financial statement.

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the financial position of ABC Entity as at 30 June 20X1 in accordance with the basis of preparation described in Note X.

[Auditor's signature]*

[Date of the auditor's report][#]

[Auditor's address]

²⁵ In circumstances when the auditor also has responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement, this sentence would be worded as follows: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances."

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

[#] The date of the auditor's report is the date the auditor signs the report.

**Example Auditor’s Report
Special Purpose Financial Statement—Statement of Cash Receipts and
Disbursements
(Fair Presentation Framework)**

Illustration 2:

Circumstances include the following:

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement).
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.²⁶
- The single financial statement is *not* prepared under the *Corporations Act 2001*.
- The auditor has determined that it is appropriate to use the phrase “presents fairly, in all material respects”, in the auditor’s opinion.
- Distribution or use of the auditor’s report is not restricted.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying statement of cash receipts and disbursements of ABC Entity for the year ended 30 June 20X1, a summary of significant accounting policies and other explanatory information, and management’s assertion statement* (together “the financial statement”). The financial statement has been prepared by management using the cash receipts and disbursements basis of accounting described in Note X.

Management’s²⁷ Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

²⁶ See ASA 800, which contains requirements and guidance on the form and content of an auditor’s report prepared in accordance with a special purpose framework.

* Or other appropriate term.

²⁷ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

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

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

Opinion

In our opinion, the financial statement presents fairly, in all material respects, the cash receipts and disbursements of ABC Entity for the year ended 30 June 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X.

Basis of Accounting

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the financial statement may not be suitable for another purpose.

[Auditor's signature]*

[Date of the auditor's report][#]

[Auditor's address]

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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

Example Auditor's Report
Special Purpose Financial Statement—Liability Incurred but Not Reported
Schedule
(Compliance Framework)

Illustration 3:

Circumstances include the following:

- Audit of the liability for “incurred but not reported” claims in an insurance portfolio (that is, an element, account or item of a financial statement).
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulatory authority to meet the requirements of that authority. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.²⁸
- The schedule is *not* prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management’s responsibility for the financial statement in ASA 210.
- Distribution or use of the auditor’s report is restricted.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

We have audited the accompanying schedule of the liability for “incurred but not reported” claims of ABC Insurance Company as at 30 June 20X1, and management’s assertion statement* (“the schedule”). The schedule has been prepared by management based on [describe the financial reporting provisions established by the regulatory authority].

Management’s²⁹ Responsibility for the Schedule

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulatory authority], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on the schedule based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the schedule is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the schedule, whether due to fraud or error. In making those

²⁸ See ASA 800, which contains requirements and guidance on the form and content of an auditor’s report prepared in accordance with a special purpose framework.

* Or other appropriate term.

²⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

risk assessments, the auditor considers internal control relevant to the company's preparation of the schedule in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the schedule.

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

Opinion

In our opinion, the financial information in the schedule of the liability for "incurred but not reported" claims of ABC Insurance Company as at 30 June 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulatory authority].

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist ABC Insurance Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for ABC Insurance Company and Regulator DEF and should not be distributed to parties other than ABC Insurance Company or Regulator DEF.

[Auditor's signature]*

[Date of the auditor's report][#]

[Auditor's address]

* The auditor's report needs to be signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate.

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



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **6(b)**
Meeting Date: 18 April 2016
Subject: ISA 810
Date Prepared: 5 April 2016

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

To consider identified issues with ISA 810 and their disposition with a review to revising ASA 810.

Background

The IAASB issued the final revised ISA 810 in late March 2016. [Refer Agenda Item 6(b).1] **Note: No AUS changes have been made to the ISAs.**

In summary the changes in ISA 810 relate to:

- Additional requirements and application material to address the information gap related to a material uncertainty related to going concern or an uncorrected material misstatement of other information (now separate sections of an auditor's report and no longer addressed using an EOM or OM paragraph)
- New requirement to *refer* to any KAMs in the auditor's report on the audited financial report (reference only – no description/repetition)
- Updated illustrative auditor's reports – consistent with new ISA 700.

The AUASB is asked to consider the issues paper addressing potential issues that arise from the revised ISA and its adoption as an ASA.

Matters to Consider

Part A – General

The AUASB is requested to consider the matters below:

- (a) Issue arising from AUASB "Aus" additions contained in existing ASA 810 [refer Agenda Item 6(b).3 for a copy of existing ASA 810]

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

ASA 810 Para ref	Extract	Suggestion
Aus 4.1(c)	Summary financial statements means historical financial information that is derived from a financial report, but that contains less detail than the financial report, while still providing a structured representation consistent with that provided by the financial report, of the entity's economic resources or obligations at a point in time or the changes therein for a period of time. Summary financial statements may include an assertion by those responsible for the summary financial statements. Different jurisdictions may use different terminology to describe such historical financial information.	Remove. The Aus para includes the following words which are additional to the ISA: <i>Summary financial statements may include an assertion by those responsible for the summary financial statements.</i> Suggest additional wording does not meet the compelling reasons test.

(b) Concise Financial Reports consideration:

The AUASB currently has a Guidance Statement GS 001 *Concise Financial Reports* as a reference point for Auditor's that are required to issue an auditor's report in a concise financial report prepared under the *Corporations Act 2001*.

The AUASB technical group after consulting with ASIC understand that very few companies produce concise financial reports. Most take advantage of the ability of members to elect not to receive any financial report. The companies commit to provide a summary report of their own design to those members who elect not to receive a financial report. Such summary reports are common but the only legislative requirement is that they not be misleading. ASIC who commented that they believed the numbers of concise reports issued were extremely low however their systems cannot confirm numbers.

On this basis, the AUASB technical group recommends that Guidance Statement GS 001 be withdrawn. However to include in ASA 810 some short footnotes pointing to the specific Corporations Act requirements for concise reports (e.g. the content of the audit report and that the framework is determined by legislation and accounting standards rather than by management). Such a footnote is not subject to the compelling reasons test.

Example wording to be included in a footnote to Paragraph 1 of ASA 810:

Where an entity prepares a concise financial report in accordance with paragraph 314(2)(a) in Part 2M.3 of the *Corporations Act 2001*, an auditor's report thereon is required under paragraph 314(2)(c) in Part 2M.3 of the *Corporations Act 2001*. The minimum content of the concise financial report is determined by the Australian Accounting Standards Board and is set out in AASB 1039 *Concise Financial Reports*.

Part B – NZAuASB

The AUASB has liaised with the NZAuASB who have raised no particular issue on this ISA. We understand that the NZAuASB technical group is intending to take a draft ED on ISA 810 to their June 2016 NZAuASB meeting.

Part C – “Compelling Reasons” Assessment

N/A

AUASB Technical Group Recommendations

Approve the proposed amendments to ISA 810, enabling the changes to be incorporated into the Australian exposure draft to be presented at the 14 June 2016 AUASB meeting for consideration to approve and issue.

Material Presented

Agenda Item 6(b)	AUASB Board Meeting Summary Paper
Agenda Item 6(b).1	Final ISA 810 (marked up)
Agenda Item 6(b).2	ISA 810 Basis for Conclusions
Agenda Item 6(b).3	Extant ASA 810 [electronic only]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the proposed modifications to ISA 810	Approval	AUASB	18 April 2016	o/s

Final Pronouncement

March 2016

International Standard on Auditing (ISA)

ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

IAASB

International Auditing
and Assurance
Standards Board

This document was developed and approved by the International Auditing and Assurance Standards Board (IAASB).

This IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants® (IFAC®).

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INTERNATIONAL STANDARD ON AUDITING 810 (REVISED)

ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

(Effective for engagements to report on summary financial statements for periods
~~beginning~~ending on or after December 15, 20092016)

Note to Readers: This document shows, in marked text, the final approved changes to extant ISA 810. Changes arising from the finalization of the ISA 720 (Revised) project have also been incorporated in the text where necessary. This presentation is intended to illustrate the nature and extent of the amendments made by the IAASB and assist those translating the ISAs. The footnote numbering in this document does not necessarily correlate with the footnotes as currently included in the extant ISA.

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International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor.

Effective Date

2. This ISA is effective for engagements to report on summary financial statements for periods ~~beginning~~ending on or after December 15, ~~2016~~2009.

Objectives

3. The objectives of the auditor are:
 - (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
 - (b) If engaged to report on summary financial statements:
 - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

4. For purposes of this ISA, the following terms have the meanings attributed below:
 - (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
 - (b) Audited financial statements – Financial statements¹ audited by the auditor in accordance with ISAs, and from which the summary financial statements are derived.
 - (c) Summary financial statements – Historical financial information that is derived from financial statements but that contains less detail than the financial statements, while still providing a structured representation consistent with that provided by the financial statements of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.² Different jurisdictions may use different terminology to describe such historical financial information.

¹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(f), defines the term "financial statements."

² ISA 200, paragraph 13(f)

Requirements

Engagement Acceptance

5. The auditor shall accept an engagement to report on summary financial statements in accordance with this ISA only when the auditor has been engaged to conduct an audit in accordance with ISAs of the financial statements from which the summary financial statements are derived. (Ref: Para. A1)
6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
 - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3–A7)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
 - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
 - (ii) To make the audited financial statements available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
 - (iii) To include the auditor's report on the summary financial statements in any document that contains the summary financial statements and that indicates that the auditor has reported on them.
 - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9–11).
7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA. The auditor shall include appropriate reference to this fact in the terms of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial statements from which the summary financial statements are derived.

Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
 - (a) Evaluate whether the summary financial statements adequately disclose their summarized nature and identify the audited financial statements.
 - (b) When summary financial statements are not accompanied by the audited financial statements, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial statements are available; or

- (ii) The law or regulation that specifies that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
- (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
- (d) Compare the summary financial statements with the related information in the audited financial statements to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial statements.
- (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
- (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- (g) Evaluate whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

Form of Opinion

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
 - (a) The accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [*the applied criteria*]; or
 - (b) The accompanying summary financial statements are a fair summary of the audited financial statements, in accordance with [*the applied criteria*].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
 - (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and
 - (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this ISA. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this ISA.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial statements. In such cases, the auditor's report on the summary financial statements shall state that the summary financial statements and audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements ~~that may require adjustment of, or disclosure in, the audited financial statements.~~ (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial statements, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial statements in accordance with ISA 560³ has been completed.

Information in Documents Containing Summary Financial Statements *[previously paragraph 24]*

1424. The auditor shall read ~~the other~~ information included in a document containing the summary financial statements and ~~the related auditor's report thereon and consider whether there is to identify a material inconsistency inconsistencies, if any, with between that information and the summary financial statements.~~
15. ~~If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall discuss the matter with management and determine whether the summary financial statements or the other information included in the document containing the summary financial statements and the auditor's report thereon needs to be revised. If, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management determines that the information needs to be revised and management refuses to revise the information as necessary, the auditor shall take appropriate action in the circumstances, including considering the implications for the auditor's report on the summary financial statements.~~ (Ref: Para. A1149–A16)

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

1614. The auditor's report on summary financial statements shall include the following elements:⁴ (Ref: Para. A2345)
 - (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A1744)
 - (b) An addressee. (Ref: Para. A1842)
 - ~~(c) An introductory paragraph that:~~
 - (c)(i) Identification of ~~identifies~~ the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements. (Ref: Para. A1943)
 - (d)(ii) Identification of the audited financial statements.;

³ ISA 560, *Subsequent Events*

⁴ Paragraphs 1947–2048, which deal with circumstances where the auditor's report on the audited financial statements has been modified, require additional elements to those listed in this paragraph.

- (e)(f) ~~A paragraph~~Subject to paragraph 20, a clearly expressiong of an opinion (see paragraphs 9–11).
- (f)(v) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial statements, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial statements and the auditor's report thereon.
- (g)(iv) ~~Where applicable, the statement required by paragraph 12. If the date of the auditor's report on the summary financial statements is later than the date of the auditor's report on the audited financial statements, states that the summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements; and~~
- (h)(iii) ~~Reference~~Refers to the auditor's report on the audited financial statements, the date of that report, and, subject to paragraphs 1917–2018, the fact that an unmodified opinion is expressed on the audited financial statements.:
- (i)(d) A description of management's⁵ responsibility for the summary financial statements, explaining that management⁶ is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
- (j)(e) A statement that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted in accordance with this ISA, on whether the summary financial statements are consistent, in all material respects, with [or are a fair summary of] the audited financial statements~~based on the procedures required by this ISA.~~
- (k)(g) The auditor's signature.
- (l)(i) The auditor's address.
- (m)(h)The date of the auditor's report. (Ref: Para. A2014)
1745. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial statements, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A1812)
1618. The auditor shall date the auditor's report on the summary financial statements no earlier than: (Ref: Para. A2014)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognized authority have asserted that they have taken responsibility for them; and
 - (b) The date of the auditor's report on the audited financial statements.

⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Modifications~~Reference to the Opinion, Emphasis of Matter Paragraph or Other Matter Paragraph in the Auditor's Report on the Audited Financial Statements~~ (Ref: Para. A2345)

1947. When the auditor's report on the audited financial statements ~~includes~~contains:

- (a) Aa qualified opinion in accordance with ISA 705 (Revised);⁷
- (b) Aan Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with ISA 706 (Revised);⁸
- (c) A Material Uncertainty Related to Going Concern section in accordance with ISA 570 (Revised);⁹
- (d) Communication of key audit matters in accordance with ISA 701;¹⁰ or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised);¹¹

~~but~~and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 1614:

(i)(a) State that the auditor's report on the audited financial statements ~~includes~~ contains a qualified opinion, an Emphasis of Matter paragraph, ~~or~~ an Other Matter paragraph, a Material Uncertainty Related to Going Concern section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)

(ii)(b) Describe: (Ref: Para. A22)

- a(i). The basis for the qualified opinion on the audited financial statements, and the effect thereof, if any, on the summary financial statements ~~that qualified opinion; or~~
- b. The matter referred to in the Emphasis of Matter or paragraph, the Other Matter paragraph, or the Material Uncertainty Related to Going Concern section in the auditor's report on the audited financial statements; and the effect(s) thereof, if any, on the summary financial statements; or
- c(ii). The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon, if any. (Ref: Para. A15)

⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

⁸ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

⁹ ISA 570 (Revised), *Going Concern*, paragraph 22

¹⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹¹ ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*

2048. When the auditor's report on the audited financial statements contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 1614:

- (a) State that the auditor's report on the audited financial statements contains an adverse opinion or disclaimer of opinion;
- (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
- (c) State that, as a result of the adverse opinion or disclaimer of opinion on the audited financial statements, it is inappropriate to express an opinion on the summary financial statements. (Ref: Para. A23)

Modified Opinion on the Summary Financial Statements

2149. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial statements, in accordance with the applied criteria, and management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A2345)

Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting

2220. When distribution or use of the auditor's report on the audited financial statements is restricted, or the auditor's report on the audited financial statements alerts readers that the audited financial statements are prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

Comparatives

2324. If the audited financial statements contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A2446)

2422. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ISA 710 requires the auditor to include in the auditor's report on the audited financial statements.¹² (Ref: Para. A2547)

Unaudited Supplementary Information Presented with Summary Financial Statements

2523. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A2648)

¹² ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements*

Other Information in Documents Containing Summary Financial Statements [see paragraphs 14 and 15]

~~24. The auditor shall read other information included in a document containing the summary financial statements and related auditor's report to identify material inconsistencies, if any, with the summary financial statements. If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the summary financial statements or the other information needs to be revised. If, on reading the other information, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A19)~~

Auditor Association

2625. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A2720)

2726. The auditor may be engaged to report on the financial statements of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial statements audited by the auditor, the auditor shall be satisfied that:

- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial statements; and
- (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A2720)

Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5–6)

A1. The audit of the financial statements from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this ISA. Application of this ISA will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial statements from which the summary financial statements are derived.

- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial statements. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
- The nature of the entity;
 - The purpose of the summary financial statements;
 - The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. Similar to the case of financial statements, as explained in ISA 210,¹³ in many such cases, the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarized nature and identify the audited financial statements;
 - (b) Clearly describe from whom or where the audited financial statements are available or, if law or regulation provides that the audited financial statements need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) Adequately disclose the applied criteria;
 - (d) Agree with or can be recalculated from the related information in the audited financial statements; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarized nature of the summary financial statements and the identity of the audited financial statements, as referred to in paragraph A6(a), may, for example, be provided by a title such as "Summary Financial Statements Prepared from the Audited Financial Statements for the Year Ended December 31, 20X1."

¹³ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraphs A3 and A8–A9

Evaluating the Availability of the Audited Financial Statements (Ref: Para. 8(g))

- A8. The auditor's evaluation whether the audited financial statements are available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial statements are available;
 - The audited financial statements are on public record; or
 - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial statements.

Form of Opinion (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor's decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Statements (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial statements. When the auditor reports on the summary financial statements after the completion of the audit of the financial statements, the auditor is not required to obtain additional audit evidence on the audited financial statements, or report on the effects of events that occurred subsequent to the date of the auditor's report on the audited financial statements since the summary financial statements are derived from the audited financial statements and do not update them.

Other Information in Documents Containing Summary Financial Statements (Ref: Para. 14–15²⁴)

- ~~A19. ISA 720¹⁴ contains requirements and guidance relating to reading other information included in a document containing the audited financial statements and related auditor's report, and responding to material inconsistencies and material misstatements of fact. Adapted as necessary in the circumstances, they may be helpful in applying the requirement in paragraph 24.~~
- A11. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information in an audit of financial statements. In the context of ISA 720 (Revised), other information is financial or non-financial information (other than financial statements and the auditor's report thereon) included in an entity's annual report. An annual report contains or accompanies the financial statements and the auditor's report thereon.
- A12. In contrast, paragraphs 14–15 deal with the auditor's responsibilities relating to information included in a document that also contains the summary financial statements and the auditor's report thereon. This information may include:
- Some or all of the same matters as those dealt with in the other information included in the annual report (e.g., when the summary financial statements and the auditor's report thereon are included in a summary annual report); or

¹⁴—ISA 720, *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*

- Matters that are not dealt with in the other information included in the annual report.

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements¹⁵ require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Some or All of the Same Matters as the Other Information in the Annual Report

A14. When information is included in a document containing the summary financial statements and the auditor's report thereon and that information deals with some or all of the same matters as the other information included in the annual report, the work performed on that other information in accordance with ISA 720 (Revised) may be adequate for the purposes of paragraphs 14–15 of this ISA.

A15. When an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial statements and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Matters Not Dealt with in the Other Information in the Annual Report

A16. ISA 720 (Revised), adapted as necessary in the circumstances, may be helpful to the auditor in determining the appropriate action to respond to management's refusal to make necessary revisions to the information, including considering the implications for the auditor's report on the summary financial statements.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

Title (Ref: Para. 1614(a))

A1711.A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 1614(b), 1715)

A1812.Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

¹⁵ International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), paragraph 110.2

Introductory Paragraph Identification of the Summary Financial Statements (Ref: Para. ~~16~~14(c)(i))

A~~19~~13. When the auditor is aware that the summary financial statements will be included in a document that contains ~~other information other than the summary financial statements and the auditor's report thereon~~, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. ~~14(h)~~, 16(m), 18)

A~~20~~14. The person or persons with recognized authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. 19)

A21. Paragraph 19(i) of this ISA requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial statements includes communication of one or more key audit matters described in accordance with ISA 701.¹⁶ However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.

A22. The statement(s) and description(s) required by paragraph 19 are intended to draw attention to those matters and are not a substitute for reading the auditor's report on the audited financial statements. The required descriptions are intended to convey the nature of the matter(s), and need not repeat the corresponding text in the auditor's report on the audited financial statements in its entirety.

Illustrations (Ref: Para. ~~14, 17–18~~16, 19–21)

A~~23~~15. The Appendix to this ISA contains illustrations of auditors' reports on summary financial statements that variously:

- (a) Contain unmodified opinions;
- (b) Are derived from audited financial statements on which the auditor issued modified opinions; and
- (c) Contain a modified opinion;:-
- (d) Are derived from audited financial statements where the auditor's report thereon includes a statement describing an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised); and
- (e) Are derived from audited financial statements where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Comparatives (Ref: Para. ~~23~~24–2422)

A~~24~~16. If the audited financial statements contain comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial

¹⁶ ISA 701, paragraph 13

statements may be regarded as corresponding figures or as comparative financial information. ISA 710 describes how this difference affects the auditor's report on the financial statements, including, in particular, reference to other auditors who audited the financial statements for the prior period.

A2517. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements (Ref: Para. 2523)

A2618. ISA 700 (Revised)¹⁷ contains requirements and guidance to be applied when unaudited supplementary information is presented with audited financial statements that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 2523.

Auditor Association (Ref: Para. 25–26–27)

A2720. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

¹⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 5346–5447

Appendix

(Ref: Para. A2345)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived. The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

Illustration 1:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements of a listed entity.
- Established criteria for the preparation of summary financial statements exist.
- The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial statements includes communication of other key audit matters.¹

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.~~

In our opinion, the accompanying summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a *fair summary of*) these the audited financial statements, in accordance with [describe established criteria]. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements. [Last sentence of this paragraph moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

¹ As explained in paragraph 15 of ISA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraph 22 of ISA 570 (Revised).

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [Moved from penultimate sentence in first paragraph in the Opinion section and amended slightly for clarity] That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial statements. Note 6 of the audited financial statements indicates that ABC Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.
- The communication of other² key audit matters. [Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.]³

Management's⁴ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a summary of the~~the audited~~ financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Opinion

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, in accordance with [describe established criteria].~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

² In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

³ The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Illustration 2:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.
- The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on those financial statements in our report dated February 15, 20X2.~~⁵

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or a fair summary of) ~~those the audited~~ financial statements, on the basis described in Note X. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company.

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [The audited financial statements are included in the 20X1 Annual Report. The auditor's report on the audited financial statements includes a statement that describes an uncorrected material misstatement of other information within Management's Discussion and Analysis of the 20X1 Annual

⁵—When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

Report. Management's Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.] [Describe the uncorrected material misstatement of the other information]. [The first sentence of this paragraph moved from last sentence in first paragraph in the *Opinion* section and amended slightly for clarity]

Management's⁶ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a-summary of ~~the audited~~ financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

Opinion

~~In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with (or a fair summary of) those financial statements, on the basis described in Note X.~~

[Auditor's signature]

[~~Date of the auditor's report~~]

[Auditor's address]

[Date of the auditor's report]

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Illustration 3:

Circumstances include the following:

- **A qualified opinion is expressed on the audited financial statements.**
- **Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.**
- **The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary statement of financial position as at December 31, 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial statements of ABC Company (the Company) for the year ended December 31, 20X1.⁷ We expressed a qualified audit opinion on those financial statements in our report dated February 15, 20X2 ~~(see below)~~.⁸

In our opinion, the ~~accompanying~~ summary financial statements ~~derived from the audited financial statements of ABC Company for the year ended December 31, 20X1~~ are consistent, in all material respects, with (or *a fair summary of*) ~~those the audited~~ financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1. [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company.

The Audited Financial Statements and Our Report Thereon

We expressed a qualified audit opinion on ~~The misstatement of the~~ audited financial statements ~~is described in our qualified audit opinion~~ in our report dated February 15, 20X2. The basis for oOur qualified audit opinion was ~~is based on the fact~~ [that the company's inventories are carried in the statement of financial

⁷ When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

⁸ The positioning of this reference to the qualified opinion in the auditor's report on the audited financial statements in the Opinion paragraph on the summary financial statements assists users in understanding that although the auditor has expressed an unmodified opinion on the summary financial statements, the summary financial statements reflect audited financial statements that are materially misstated.

position in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards]. The Company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, ~~(or give a true and fair view of)~~ the financial position of ABC Company as at December 31, 20X1, and ~~(of)~~ its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards. [This paragraph moved up from the *Opinion* section below and amended for clarity]

Management's⁹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a summary of the audited financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summary financial statements derived from the audited financial statements of ABC Company for the year ended December 31, 20X1 are consistent, in all material respects, with ~~(or a fair summary of)~~ those financial statements, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial statements of ABC Company for the year ended December 31, 20X1.

The misstatement of the audited financial statements is described in our qualified audit opinion in our report dated February 15, 20X2. Our qualified audit opinion is based on the fact that the company's inventories are carried in the statement of financial position in those financial statements at xxx. Management has not stated the inventories at the lower of cost and net realizable value but has stated them solely at cost, which constitutes a departure from International Financial Reporting Standards. The company's records indicate that had management stated the inventories at the lower of cost and net realizable value, an amount of xxx would have been required to write the inventories down to their net realizable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively. Our qualified audit opinion states that, except for the effects of the described matter, those financial statements present fairly, in all material respects, ~~(or give a true and fair view of)~~ the financial position of ABC Company as at December 31, 20X1, and ~~(of)~~ its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

[Auditor's signature]

⁹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

~~[Date of the auditor's report]~~

[Auditor's address]

[Date of the auditor's report]

Illustration 4:

Circumstances include the following:

- An adverse opinion is expressed on the audited financial statements.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Denial of Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1.⁴⁰

~~As a result of the adverse opinion on the audited financial statements~~ ~~Because of the significance of the matter discussed in *The Audited Financial Statements and our Report Thereon* section of our report above,~~ it is inappropriate to express an opinion on the ~~accompanying summary financial statements of ABC Company for the year ended December 31, 20X1.~~ [Opinion paragraph and heading moved up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon of ABC Company.

The Audited Financial Statements and Our Report Thereon

In our report dated February 15, 20X2, we expressed an adverse opinion on the audited financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse opinion was [describe basis for adverse audit opinion]. ~~Our adverse opinion stated that [describe adverse opinion].~~ [Moved from *Denial of Opinion* section below and amended slightly for clarity]

Management's¹¹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the a summary of the audited financial statements on the basis described in Note X.

⁴⁰ ~~When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."~~

¹¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Denial of Opinion

~~In our report dated February 15, 20X2, we expressed an adverse audit opinion on the financial statements of ABC Company for the year ended December 31, 20X1. The basis for our adverse audit opinion was [describe basis for adverse audit opinion]. Our adverse audit opinion stated that [describe adverse audit opinion].~~

~~Because of the significance of the matter discussed above, it is inappropriate to express an opinion on the summary financial statements of ABC Company for the year ended December 31, 20X1.~~

~~[Auditor's signature]~~

~~[Date of the auditor's report]~~

~~[Auditor's address]~~

~~[Date of the auditor's report]~~

Illustration 5:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial statements.
- Established criteria for the preparation of summary financial statements exist.
- The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial statements from which the summary financial statements are derived.

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Adverse Opinion

The ~~accompanying~~ summary financial statements, which comprise the summary balance sheet as at December 31, 20X1, the summary income statement, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial statements of ABC Company for the year ended December 31, 20X1. ~~We expressed an unmodified audit opinion on these financial statements in our report dated February 15, 20X2.~~¹²

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion* section~~paragraph~~, the accompanying summary financial statements ~~referred to above~~ are not consistent with (or a *fair summary of*) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria]. [Adverse opinion paragraph and heading moved up from below]

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or a *fair summary of*) the audited financial statements, in accordance with the applied criteria. [Moved the *Basis for Adverse Opinion* section up from below]

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial statements of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon ~~of ABC Company~~.

¹² When the auditor's report on the summary financial statements is dated later than the date of the auditor's report on the audited financial statements from which it is derived, the following sentence is added to this paragraph: "Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements."

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. [Moved from last sentence in first paragraph above and amended slightly for clarity]

Management's¹³ Responsibility for the Summary Audited Financial Statements

Management is responsible for the preparation of the a-summary of ~~the audited~~ financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or are a fair summary of) the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Adverse Opinion

~~In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the summary financial statements referred to above are not consistent with (or a fair summary of) the audited financial statements of ABC Company for the year ended December 31, 20X1, in accordance with [describe established criteria].~~

[Auditor's signature]

[Date of the auditor's report]

[Auditor's address]

[Date of the auditor's report]

¹³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction

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Basis for Conclusions
Prepared by the Staff of the IAASB
March 2016

International Standard on Auditing (ISA)

ISA 810 (Revised), Engagements to Report on Summary Financial Statements

This document was prepared by the Staff of the International Auditing and Assurance Standards Board (IAASB).

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

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ISA 810 (REVISED), ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

This Basis for Conclusions has been prepared by Staff of the International Auditing and Assurance Standards Board (IAASB). It relates to, but does not form part of, ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*.

ISA 810 (Revised) was approved with the affirmative votes of 16 out of 17 IAASB members present for the vote at the December 2015 meeting.¹

Background

1. In finalizing its new and revised Auditor Reporting standards,² the IAASB agreed that it would also be in the public interest to consider how such changes should affect the ISA 800 series, which included:

- ISA 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*;
- ISA 805, *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
- ISA 810, *Engagements to Report on Summary Financial Statements*.

The IAASB issued an exposure draft (ED) of proposed changes to ISA 800 and ISA 805 (ED-ISA 800/805) in January 2015, and ISA 800 (Revised)³ and ISA 805 (Revised)⁴ were issued in January 2016.

¹ For a full record of the voting on ISA 810 (Revised), including the rationale of the IAASB member who voted against the standard, see the minutes of the December 7–11, 2015 IAASB meeting at <http://www.iaasb.org/meetings/new-york-usa-11> under the heading “Minutes.” One IAASB member was not present for the vote at the December 2015 meeting and was therefore ineligible to vote.

² In September 2014, the IAASB unanimously approved its new and revised Auditor Reporting standards and related conforming amendments, which comprise:

- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*
- New ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*
- ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*
- ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*
- ISA 570 (Revised), *Going Concern*
- ISA 260 (Revised), *Communication with Those Charged with Governance*
- Conforming amendments to other ISAs.

These standards were released in January 2015 and will be effective for audits for periods ending on or after December 15, 2016.

³ ISA 800 (Revised) deals with special considerations in the application of the ISAs (100-700 series) to an audit of financial statements that are prepared in accordance with a special purpose framework. A special purpose framework is defined in the ISAs as a financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.

⁴ ISA 805 (Revised) deals with special considerations in the application of the ISAs (100-700 series) to an audit of a single financial statement or a specific element, account or item of a financial statement (referred to hereafter as “element of a financial statement” or “element”).

2. ISA 810 deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from financial statements audited in accordance with ISAs by that same auditor. The IAASB initially considered including amendments to extant ISA 810 in ED-ISA 800/805 to take into account the enhancements resulting from the new and revised Auditor Reporting standards. However, recognizing that the nature and objective⁵ of an ISA 810 engagement is substantively different from an audit of financial statements, the IAASB determined that further consideration of the need for, and nature of, potential changes to extant ISA 810 was warranted.
3. The IAASB concluded that it was necessary to:
 - (a) Further understand the nature and use of extant ISA 810 on a global basis.
 - (b) Undertake a technical review of extant ISA 810 for the purpose of identifying conflicts, if any, that would make it inoperable in its current form in relation to the new and revised Auditor Reporting standards.
 - (c) Solicit views about whether conforming amendments to extant ISA 810 were needed and, if so, what approach should be taken to incorporate the enhancements resulting from the new and revised Auditor Reporting standards into extant ISA 810. ED-ISA 800/805 included an explicit question in this regard.
4. The Explanatory Memorandum of ED-ISA 800/805 noted that, at its December 2014 meeting, the IAASB considered preliminary feedback obtained from an informal survey of national auditing standard setters (NSS) and accounting firms about the use of extant ISA 810 and how the standard was adapted at the national level. This feedback indicated that extant ISA 810 is used as a starting point for a limited number of jurisdictions in which auditors are engaged to report on summary financial statements. Tailored versions of extant ISA 810 are used in these jurisdictions, and in some cases supplementary national guidance has been developed to reflect the facts and circumstances that are relevant within the context of the national environments where these engagements are performed.
5. While ED-ISA 800/805 was out for public comment, the IAASB discussed the results of an IAASB Staff-led technical review of extant ISA 810. This review confirmed the views previously discussed by the IAASB at its September 2014 meeting – namely, that an information gap would result in circumstances when a material uncertainty related to going concern or an uncorrected material misstatement of other information was highlighted in the auditor's report on the related audited financial statements. Such matters were previously required to be addressed in the auditor's report on the audited financial statements in an Emphasis of Matter (EOM) paragraph or an Other Matter (OM) paragraph, respectively, and, in accordance with paragraph 17 of extant ISA 810, would always be required to be highlighted in the auditor's report on the summary financial statements (referred to hereafter as "the ISA 810 report"). ISA 570 (Revised) and ISA 720 (Revised)⁶ now require separate sections in the auditor's report on the audited financial statements when such circumstances exist (i.e., these matters are no longer addressed using an EOM or OM paragraph).

⁵ The objective of an ISA 810 engagement is for the auditor to report on the derivation of the summary financial statements from the audited financial statements, and not to express an opinion on the fairness of those summary financial statements.

⁶ ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*. In revising ISA 720, the IAASB also recharacterized some of the terminology used in that ISA, such that the required disclosures in the auditor's report focus on uncorrected material misstatements of other information rather than material inconsistencies identified in other information.

Because extant ISA 810 does not refer to the new sections required by ISA 570 (Revised) and ISA 720 (Revised), without the IAASB making amendments to extant ISA 810, these newly required sections would not be required to be highlighted in the ISA 810 report.

6. Feedback from responses to ED-ISA 800/805 confirmed that changes to extant ISA 810 were warranted, although mixed views were expressed as to the nature and extent of changes that were needed. The IAASB also sought input from the IAASB Consultative Advisory Group (IAASB CAG), as well as the IAASB's NSS Liaison Group.
7. In August 2015, the IAASB published an exposure draft of proposed ISA 810 (Revised) (ED-ISA 810). Consistent with the approach taken in ISA 800 (Revised) and ISA 805 (Revised), the intent of the amendments to extant ISA 810 was not to substantively change the premise of an ISA 810 engagement, but rather to make limited changes to take into account the enhancements to auditor reporting.
8. Thirty-four responses to ED-ISA 810 were received, across a broad range of stakeholders. Respondents included regulators and audit oversight bodies, NSS, accounting firms, IFAC member bodies, as well as representatives of small and medium practices (SMPs).
9. The IAASB also discussed the feedback on ED-ISA 810 with the IAASB CAG prior to the finalization of the changes to ISA 810 (Revised).
10. Although investor groups did not formally comment on ED-ISA 810, the IAASB considered and took into account the feedback received from investors as part of (i) the IAASB's broader Auditor Reporting project in finalizing ISA 810 (Revised) and (ii) investor participation on the IAASB CAG.
11. While respondents generally supported the approach the IAASB had taken in developing the amendments to extant ISA 810, clarification was sought on a number of areas addressed in the standard. This Basis for Conclusions explains the more significant issues raised by respondents, and how the IAASB has addressed them.

Significant Matters

Public Interest Issues Addressed by This Project

12. In proposing changes to the ISAs relevant to auditor reporting on general purpose financial statements, the IAASB recognized the public interest benefits of greater transparency about the audit (in particular, through the communication of key audit matters and disclosure of the name of the engagement partner for audits of financial statements of listed entities), as well as increasing investor attention on matters related to going concern and other information.
13. The IAASB considered how best to leverage this additional transparency provided in the auditor's report on the complete set of general purpose financial statements in circumstances where the auditor is also engaged to report on summary financial statements, in light of the nature and objective of the ISA 810 engagement. The IAASB sought to find an appropriate balance between drawing attention to relevant information in the auditor's report on the audited financial statements and managing the potential for the ISA 810 report to inadvertently give the impression that the engagement had a broader objective than it actually did (i.e., beyond being an engagement to report on the consistency of the summary financial statements with the audited financial statements on the basis of applied criteria).

14. As explained in paragraph A5 of ISA 810 (Revised), the criteria for the preparation of summary financial statements may be established by an authorized or recognized standards setting organization or by law or regulation. While the IAASB is not aware of any international framework or criteria addressing the preparation of summary financial statements, the IAASB recognizes that accounting standard setters, securities regulators and others can and do set out requirements on a national basis for summary financial statements in light of the intended users of this information (see paragraph 4 of this Basis for Conclusions). Where established criteria do not exist, criteria may be developed by management based on practice in a particular industry.⁷
15. The IAASB therefore believes it is also in the public interest to allow for flexibility in relation to auditor reporting in this area to align with the needs and expectations of users of ISA 810 reports, and envisages that NSS, local regulators or others may continue to consider it appropriate to add more detailed requirements to national versions of ISA 810 (Revised).
16. Importantly, extant ISA 810 required reference to be made to the auditor's report on the complete set of financial statements,⁸ as well as a statement that advises readers of the ISA 810 report that reading the summary financial statements is not a substitute for reading the audited financial statements.⁹ Extant ISA 810 also required the auditor to obtain the agreement of management that it acknowledges and understands its responsibility to make the audited financial statements available to the intended users of the summary financial statements without undue difficulty.¹⁰ These concepts have been retained – and also supplemented – in ISA 810 (Revised) (see further discussion in paragraphs 35–37 of this Basis for Conclusions).

Nature and Extent of Changes from Extant ISA 810

17. In summary, the proposed changes in ED-ISA 810 were intended to:
- (a) Amend extant ISA 810 requirements to address the information gap described in paragraph 5 of this Basis for Conclusions related to a material uncertainty related to going concern or an uncorrected material misstatement of other information being communicated in the auditor's report on the audited financial statements.
 - (b) Introduce a new requirement for the ISA 810 report to include a reference to any communication of key audit matters in the auditor's report on the audited financial statements (i.e., limited to requiring a reference to the existence of such communication without needing to describe, repeat or otherwise refer to individual key audit matters).
 - (c) Present the ISA 810 illustrative auditor's reports in a manner consistent with those in ISA 700 (Revised) in terms of the layout and content, including the ordering of elements (for example, the *Opinion* section is now positioned first) and use of headings.
18. ED-ISA 810 also incorporated conforming amendments resulting from ISA 720 (Revised), which was released in April 2015.

⁷ Paragraph 6 of ISA 810 (Revised) requires the auditor to determine whether the applied criteria are acceptable before accepting an engagement to report on summary financial statements.

⁸ ISA 810, paragraph 14(c)(iii), now paragraph 16(h) of ISA 810 (Revised)

⁹ ISA 810, paragraph 14(c)(v), now paragraph 16(f) of ISA 810 (Revised)

¹⁰ ISA 810, paragraph 6(b)(ii), now paragraph 6(b)(ii) of ISA 810 (Revised)

Other Information

Background

19. Extant ISA 810 addressed the concept of “other information” from two angles as follows:
- (i) Requiring a statement in the ISA 810 report when the auditor’s report on the audited financial statements included an OM paragraph. Paragraph 10(a) of extant ISA 720 required the auditor to use an OM paragraph to describe a material inconsistency in other information with the audited financial statements. Paragraph 17 of extant ISA 810 required the auditor to describe, in the ISA 810 report, the OM paragraph that was included in the auditor’s report on the audited financial statements and the effect thereof on the summary financial statements, if any.
 - (ii) Setting out a requirement in relation to *other information in documents containing summary financial statements*. Paragraph 24 of extant ISA 810 established a requirement in an ISA 810 engagement to read other information included in a document containing the summary financial statements and related auditor’s report to identify material inconsistencies, if any between the summary financial statements and this other information. While some of the terms in the requirement were aligned with terminology used in extant ISA 720, guidance in paragraph A19 of extant ISA 810 signaled that, adapted as necessary in the circumstances, the requirements and guidance in extant ISA 720 may be helpful in applying the requirement in extant ISA 810 – that is, the intent was not for extant ISA 720 to apply in its entirety to an ISA 810 engagement.
20. As explained in paragraph 5 of this Basis for Conclusions, the IAASB found it necessary to propose changes in ED-ISA 810 to better align with the approach to other information taken in ISA 720 (Revised), namely that a new section (rather than an OM paragraph) is required when an uncorrected material misstatement of other information is identified (see paragraphs 17(e) and 17(ii)a.-b. of ED-ISA 810). These proposed changes would have continued to require the auditor to describe, in the ISA 810 report, any uncorrected material misstatement of other information described in the auditor’s report on the audited financial statements and the effect thereof, if any, on the summary financial statements.
21. In finalizing ISA 720 (Revised) in December 2014, the IAASB also approved a conforming amendment to paragraph 24 of extant ISA 810. This conforming amendment was included as paragraph 24 of ED-ISA 810 as follows:
- The auditor shall read the other information included in a document containing the summary financial statements and related auditor’s report to consider whether there is a material inconsistency between the other information and the summary financial statements. If the auditor identifies a material inconsistency, the auditor shall determine whether the summary financial statements or the other information needs to be revised. If the auditor becomes aware that the other information needs to be revised, the auditor shall discuss the matter with management.

Summary of Comments Received on Exposure

22. Notwithstanding the IAASB’s intent to alleviate the potential information gap in relation to other information (see paragraphs 5 and 20 of this Basis for Conclusions), some respondents did not support inclusion, in all cases, of a statement in the ISA 810 report that describes an uncorrected material misstatement of other information in the auditor’s report on the audited financial

statements in accordance with ISA 720 (Revised). These respondents were of the view that drawing attention to a misstatement of other information that accompanied the *audited financial statements* could be confusing for the reader of the summary financial statements (and the ISA 810 report) if that (or any) other information is not relevant to or included in a document that also contains the summary financial statements (i.e., if no “summary other information” is presented in relation to the summary financial statements). It was suggested that the auditor should be able to exercise judgement in determining whether to make such a reference, as the relevance of the information about a material misstatement of other information in the context of the audited financial statements to the reader of the ISA 810 report could depend on whether the relevant other information included in a document containing the summary financial statements was misstated for the same reason.

23. Two respondents to ED-ISA 810 also asked the IAASB to clarify the auditor's responsibilities and related work effort when a material inconsistency has been identified between the other information contained in a document that also contains the summary financial statements and management refuses to correct this inconsistency (i.e., paragraph 24 of ED-ISA 810). It was suggested that further guidance in ISA 810 (Revised) would be helpful to explain how the reporting requirements in ISA 720 (Revised) may be adapted as necessary in the circumstances.

IAASB Decisions

Reference in the ISA 810 Report to an Uncorrected Material Misstatement of the Other Information in the Auditor's Report on the Audited Financial Statements

24. The IAASB explored an alternative that would have required reference to a statement in the auditor's report on the audited financial statements about an uncorrected material misstatement of the other information if that other information was also included in a document that contained the summary financial statements and the auditor's report thereon.
25. However, the IAASB was not supportive of the conditionality in the proposed requirement and saw the requirement as overly complex and addressing a particular scenario that would likely not occur frequently in practice (i.e., the IAASB noted that it would likely be rare for auditor's reports on audited financial statements to contain statements about uncorrected material misstatements of other information, as in most cases it would be reasonable to expect that management would correct such misstatements upon becoming made aware of them).
26. The IAASB therefore agreed to retain the proposed requirement that the ISA 810 report include a description of any uncorrected material misstatement of the other information included in the auditor's report on the audited financial statements and the effects thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon (see paragraphs 19(e) and 19(ii)(c) of ISA 810 (Revised)). The IAASB also agreed to add new application material to explain that, when an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial statements and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading (see paragraph A15 of ISA 810 (Revised)). This revised approach takes into account the desire that a reference be made in the ISA 810 report to the existence of a statement about an uncorrected material misstatement of the other information in the auditor's

report on the audited financial statement, while allowing for flexibility in how that matter could be described in the ISA 810 report.

Work Effort on Information Included in a Document Containing the Summary Financial Statements and the Auditor's Report Thereon

27. To further clarify the auditor's responsibilities related to information included in a document containing summary financial statements and the auditor's report thereon (i.e., paragraph 24 of ED-ISA 810), the IAASB agreed to:
- Move the requirements addressing the intended work effort related to information included in a document containing summary financial statements and the auditor's report thereon to appear in the standard prior to the requirements related to the auditor's report on the summary financial statements (see paragraphs 14–15 of ISA 810 (Revised)). As noted in paragraph 19(ii) of this Basis for Conclusions, the intent is not for ISA 720 (Revised) to apply in its entirety to an ISA 810 engagement. Rather, the revised requirements in ISA 810 (Revised) are consistent with the approach in extant ISA 810, using terminology and concepts that are aligned with ISA 720 (Revised). To avoid confusion between the work effort required by ISA 810 (Revised) and the work effort required by ISA 720 (Revised), the IAASB decided to amend ED-ISA 810 to refer to "information included in a document containing summary financial statements and the auditor's report thereon," rather than "other information".
 - Enhance those requirements by:
 - o Requiring the auditor to read the information included in a document containing the summary financial statements and the auditor's report thereon and consider whether there is a material inconsistency between that information and the summary financial statements (as compared to the conforming amendment described in paragraph 21 of this Basis for Conclusions). Doing so aligns this requirement to be more consistent with the manner in which the expected work effort on other information in the context of an audit of financial statements is described in ISA 720 (Revised). One IAASB member disagreed with this change, which led to the dissenting vote (reasons for the disagreement are discussed in the minutes referred to in footnote 1 of this Basis for Conclusions).
 - o Adding the words "including considering the implications for the auditor's report on the summary financial statements" to provide greater specificity about what the appropriate action may be in the circumstances where the auditor identifies a material inconsistency between the information included in the document containing the summary financial statements and the summary financial statements, and management refuses to revise that information as necessary.
 - Enhance the application material associated with those requirements to contrast the differences between the requirements in ISA 720 (Revised) and ISA 810 (Revised) and provide the auditor with guidance on the application of the requirements when information in a document containing the summary financial statements deals with some or all of the same matters as the other information included in the annual report, as well as matters that are not dealt with in the other information included in the annual report.

Other Issues Raised by Respondents

Key Audit Matters

28. As noted in paragraph 17(b) of this Basis for Conclusions, ED-ISA 810 introduced a new requirement for the ISA 810 report to include a reference to the communication of key audit matters in the auditor's report on the audited financial statements (see paragraph 19(i) of ISA 810 (Revised)).
29. The majority of the respondents to ED-ISA 810 supported this approach. A few respondents had mixed views on the appropriate level of detail that might appear in the ISA 810 report in relation to key audit matters.
30. The Explanatory Memorandum of ED-ISA 810 explained that the IAASB debated the merits of requiring additional language that would provide greater context about key audit matters. For example, the IAASB considered requiring the auditor to list the subheadings or topics of key audit matters in the auditor's report or include the descriptions of individual key audit matters in their entirety. The IAASB ultimately decided against doing so, as detailed reference to individual key audit matters may give the impression that the ISA 810 engagement is something other than what is intended, would potentially lengthen the ISA 810 report, and could be misleading if the underlying issues were not relevant to or disclosed in a similar manner in the summary financial statements. Paragraph A21 of ISA 810 (Revised) has therefore been included to explicitly note that a description of individual key audit matters in the ISA 810 report is not required.
31. Illustration 1 of the Appendix to ISA 810 (Revised) provides an example of the statement required by paragraph 19 of ISA 810 (Revised) when the auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters. Because key audit matters is a new concept, the IAASB thought it may be useful for the illustrative auditor's report to highlight how an auditor might include additional contextual information about key audit matters, rather than just the required statement. Accordingly, although not a required element, Illustration 1 includes an additional statement "Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period."
32. The IAASB did not believe it was appropriate to prohibit auditors from including a more detailed reference to key audit matters, either generically (as noted in paragraph 30 of this Basis for Conclusions) or more specifically (i.e., by providing subheadings or descriptions of those matters). Footnote 3 of Appendix 1 therefore notes that the auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

Independence and Other Relevant Ethical Responsibilities and Disclosure of the Name of the Engagement Partner and Reference to the Auditor's Report on the Audited Financial Statements

33. The Explanatory Memorandum of ED-ISA 810 explained that the IAASB did not believe a statement about independence and other relevant ethical responsibilities or disclosure of the name of the engagement partner (for engagements to report on summary financial statements of listed entities) would be needed in the ISA 810 report, since such information would be available to the users of the auditor's report on the audited financial statements, and to which reference would be required to be made in the ISA 810 report.

34. While the majority of respondents made no comment about this proposal, a few respondents commented that they did not agree with this approach, noting that the importance of independence and fulfilling other ethical responsibilities does not differ between an ISA 810 report and the auditor's report on the audited financial statements.
35. The Explanatory Memorandum of ED-ISA 810 also noted that the IAASB had considered whether the statement in the ISA 810 report referring to the importance of reading the audited financial statements should be expanded to also emphasize the importance of reading the auditor's report on the audited financial statements. At the time of ED-ISA 810, the IAASB concluded that requiring such a statement would not be necessary, as the approach set out in paragraph 17 of ED-ISA 810 would more explicitly make reference to specific items included in the auditor's report on the audited financial statements, thereby achieving the same effect.
36. While limited, feedback to ED-ISA 810 suggested that expanding the required statement in the ISA 810 report would further emphasize the importance of reading both the audited financial statements and the auditor's report thereon, including in cases when none of the circumstances addressed by paragraph 19 of ISA 810 (Revised) apply. The IAASB therefore reconsidered its decision and agreed that that paragraph 16(f) of ISA 810 (Revised) should include the underlined text below:
- “...reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial statements and the auditor's report thereon.”
37. The IAASB believes that drawing greater attention in the ISA 810 report to the need to read the auditor's report on the audited financial statements could mitigate the concern of those respondents who expressed a preference for the statement on independence and other relevant ethical requirements and disclosure of the engagement partner for listed entities to be included in the ISA 810 report.

Sequencing of the Elements of the Auditor's Report on the Summary Financial Statements

38. In contrast to ISA 800 (Revised) and ISA 805 (Revised), which are linked directly to ISA 700 (Revised), ISA 810 (Revised) is a stand-alone standard. It includes requirements that address the elements that are to be included in an ISA 810 report (see paragraphs 16–21 of ISA 810 (Revised)). Though some of those reporting elements are similar to the elements that are required in an auditor's report on a complete set of general purpose financial statements (i.e., paragraphs 21–49 of ISA 700 (Revised)), those elements are appropriately described in the context of an engagement to report on summary financial statements.
39. In ED-ISA 810, the IAASB retained a degree of symmetry between the layout of the illustrative auditor's reports on summary financial statements and the illustrative auditor's reports on audited financial statements included in ISA 700 (Revised). The IAASB also agreed to reorder certain of the elements included in paragraph 14 of ED-ISA 810 for this purpose. The illustrative reports in the Appendix to ED-ISA 810 therefore represented the IAASB's preferred ordering within the report.
40. However, the IAASB did not believe it was necessary to mandate the ordering of certain elements in the ISA 810 report (e.g., i.e., to require the *Opinion* section to be presented first) or require the use of specific headings (in contrast to the approach taken in ISA 700 (Revised)). In this regard, the IAASB agreed to delete the phrase “An introductory paragraph that:” in the requirement in paragraph 14(c) of extant ISA 810, as this phrase implied a particular order was required for the ISA 810 report.

41. While the majority of the respondents agreed with the flexibility in paragraph 14 of ED-ISA 810 related to the sequencing of the ISA 810 report, some respondents suggested that paragraph 14 of ED-ISA 810 should require mandatory sequencing of the elements of the ISA 810 report to promote consistency, especially with regard to where the opinion should be placed.

IAASB Decisions

42. The IAASB was not convinced that it was necessary to mandate the ordering of elements in the ISA 810 report or require the use of specific headings – in part, because doing so would unduly limit the flexibility for jurisdictions that may wish to further tailor ISA 810 (Revised) in the context of the national environment where these engagements are performed (see paragraphs 14–15 of this Basis for Conclusions).

Matters Considered to be Outside the Scope of This Project

43. In addition, a few respondents raised matters that were considered to be out of the project scope, and a few suggested that a more comprehensive revision of extant ISA 810 would be warranted at a future date. The IAASB considered these suggestions, however, given the limited scope of the project, the IAASB did not find it necessary to make additional changes to ISA 810 (Revised). At this time, the IAASB does not contemplate a more fulsome revision of ISA 810 (Revised), but consideration will be given to understanding the practical implementation issues, if any, as they relate specifically to ISA 810 (Revised), in the context of the planned post-implementation review of the new and revised Auditor Reporting standards.

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AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 7(b)
Meeting Date: 18 April 2016
Subject: Integrated Reporting Update
Date Prepared: 11 April 2016

☐ **Action Required**

☒ **For Information Purposes Only**

Agenda Item Objectives

Update the AUASB on <IR> Activities since the 1 December 2015 meeting.

Background

Refer to detail in the attachment at Agenda Item 7(b).1.

Matters to Consider

Part A – General

Refer to Agenda Item 7(b).1 for a brief update on IAASB <IR> WG and general activities since December 2015.

Part B – NZAuASB

N/A

Part C – “Compelling Reasons” Assessment

N/A

The proposed changes conform with IAASB modification guidelines for NSS?

Y ☐ N ☐

Material Presented

Agenda Item 7(b)	AUASB Board Meeting Summary Paper
Agenda Item 7(b).1	Attachment to AUASB Board Meeting Summary Paper

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7(b).1**
Meeting Date: 18 April 2016
Subject: Integrated Reporting Update
Date Prepared: 11 April 2016

General Activities since 1 December 2015

International

1. [IIRC April 2016](#) Newsletter provides further information on <IR> activities undertaken by the IIRC in recent months.
2. Paul Druckman has announced he will step down as the CEO of the IIRC when an appropriate successor has been found. This is likely to be in the early part of the new financial year.
3. [GE](#) launches its integrated summary in March 2016.
4. [Sanford](#) releases its integrated report in early December 2015.
5. The Corporate Reporting Dialogue (CRD) released a paper titled [Statement of Common Principles of Materiality. This document compares materiality definitions](#) and approaches by Corporate Reporting Dialogue participants. The concepts in this paper represent common foundational principles believed to be broadly consistent with all forms of standards' development and business reporting to stakeholders. The paper demonstrates a commitment by participants to identify practical ways and means by which their respective frameworks, standards and related requirements can be aligned and rationalised.

Australia

1. Paul Druckman, CEO IIRC was in Australia and NZ in March 2016 for a round of meetings with stakeholder organisations, regulators, standard setters, assurance practitioners, director community and Treasury. The AUASB attended a panel discussion facilitated by NAB (pilot <IR> company) and the BLRF meeting while Paul was in Australia.

IAASB <IR> WG

1. The IAASB <IR> Assurance Working Group (<IR> WG), chaired by Merran Kelsall, presented an update to the CAG on the progress on the Emerging External Reporting discussion paper prior to the March 2016 meeting. An update was also given to the IAASB at the meeting.
2. The IAASB <IR> WG met on 11 and 12 April in London to discuss and finalise the discussion paper which now includes the broader context of external reporting and more specifically: credibility and trust, assurance engagement options, analysis of common features across multiple reporting frameworks and key assurance issues. It is anticipated the paper will go to the 20-24 June 2016 IAASB meeting for comment.

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AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 8(c)
Meeting Date: 18 April 2016
Subject: Updated AUASB Technical Work Program for year ending 30 June 2016
Date Prepared: 12 April 2016

☒ Action Required	☐ For Information Purposes Only
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Agenda Item Objectives

To provide to the AUASB with an updated AUASB Technical Work Program for the financial year ending 30 June 2016.

Material Presented

Agenda Item 8(c) AUASB Board Meeting Summary Paper
Agenda Item 8(c).1 Updated AUASB Technical Work Program for year ending 30 June 2016

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB Technical Work Program for year ending 30 June 2016	For noting	AUASB	18 April 2016	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **9**

Meeting Date: 18 April 2016

Subject: Strategic Planning

Date Prepared: 12 April 2016

☐ Action Required	☒ For Information Purposes Only
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Agenda Item Objectives

At the 15 September 2015 AUASB meeting, the Board was provided with the final AUASB Strategy 2015-2019. As discussed at the time, the document had been presented in a format similar to that of the AASB, and had also been provided to the FRC. The AUASB Strategy also been incorporated into the AUASB Corporate plan for 2015-16, which was provided to the responsible Ministers on 1 September 2015. Copies of these documents were also provided, for information, at the 22 February 2016 AUASB meeting.

Attached for continued discussion at the 18 April AUASB meeting, are the recent reports to the FRC from the AUASB and the AASB showing results against the respective strategies for 2015-2019.

Material Presented

Agenda Item 9	AUASB Board Meeting Summary Paper
Agenda Item 9.1	AUASB Corporate Plan 2015-2016 AUASB Strategy 2015-2019
Agenda Item 9.2	AUASB Strategy 2015-2019 – AUASB Initiatives and Functions Mapped to Strategy and KPI's for 2015-2016 [Confidential]
Agenda Item 9.3	AASB Strategy 2015-2019 – with Headline KPIs to achieve Strategies [Confidential]