

**ASA 2015-1**  
(December 2015)

# **Auditing Standard ASA 2015-1** *Amendments to Australian Auditing Standards*

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



**Australian Government**  

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**Auditing and Assurance Standards Board**

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## PREFACE

### **Reasons for Issuing ASA 2015-1**

The AUASB issues Auditing Standard ASA 2015-1 *Amendments to Australian Auditing Standards* 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 makes amendments to the following Auditing Standards:

- ASA 200      *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (27 October 2009)*
- ASA 210      *Agreeing the Terms of Audit Engagements (27 October 2009)*
- ASA 220      *Quality Control for an Audit of a Financial Report and Other Historical Financial Information (27 October 2009)*
- ASA 230      *Audit Documentation (27 October 2009)*
- ASA 240      *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (27 October 2009)*
- ASA 300      *Planning an Audit of a Financial Report (27 October 2009)*
- ASA 315      *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (27 October 2009)*
- ASA 320      *Materiality in Planning and Performing an Audit (27 October 2009)*
- ASA 330      *The Auditor's Responses to Assessed Risks (27 October 2009)*
- ASA 450      *Evaluation of Misstatements Identified during the Audit (27 October 2009)*
- ASA 500      *Audit Evidence (27 October 2009)*
- ASA 510      *Initial Audit Engagements-Opening Balances (27 October 2009)*
- ASA 540      *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures (27 October 2009)*
- ASA 560      *Subsequent Events (27 October 2009)*
- ASA 580      *Written Representations (27 October 2009)*
- ASA 600      *Special Considerations-Audits of a Group Financial Report (27 October 2009)*

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ASA 710      *Comparative Information-Corresponding Figures and Comparative Financial Reports*  
(27 October 2009)

ASA 800      *Special Considerations-Audits of Financial Reports Prepared in Accordance with*  
*Special Purpose Frameworks* (27 October 2009)

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to numerous International Standards on Auditing (ISAs) resulting from enhancements related to auditor reporting and addressing disclosures in the audit of the financial statements, as well as changes the AUASB has identified through its review of existing modifications from the equivalent ISAs (i.e. “Aus” paragraphs) where the compelling reasons test has not been met. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing and to make appropriate consequential amendments to the Australian Auditing Standards.

**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2015-1 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: 1 December 2015

M H Kelsall  
Chairman - AUASB

## **Conformity with International Standards on Auditing**

This Auditing Standard has been made for Australian legislative purposes. It contains a series of proposed miscellaneous amendments to various Australian Auditing Standards (as shown) arising from the proposed revision of existing Auditing Standards related to addressing disclosures in the audits of financial reports. These proposed amendments, in the main, reflect similar amendments made to the equivalent International Standards on Auditing (ISAs).

# AUDITING STANDARD ASA 2015-1

## *Amendments to Australian Auditing Standards*

### **Application**

1. This Auditing Standard applies to:
  - 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
  - an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

### **Operative Date**

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

### **Introduction**

#### **Scope of this Auditing Standard**

4. This Auditing Standard makes amendments to the Australian Auditing Standards. The amendments to the Australian Auditing Standards arise from:
  - (a) Consequential changes arising from:
    - (i) Revisions to the following Auditing Standards in relation to enhanced auditor reporting:
      - *ASA 700 Forming an Opinion and Reporting on a Financial Report*;
      - *ASA 705 Modifications to the Opinion in the Independent Auditor's Report*;
      - *ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*;
      - *ASA 260 Communication with Those Charged with Governance*;
      - *ASA 570 Going Concern*;
      - *ASA 720 The Auditor's Responsibilities Relating to Other Information*; and
    - (ii) The issuance of new Auditing Standard *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report*; and
  - (b) Changes made by the International Auditing and Assurance Standards Board (IAASB) to numerous International Standards on Auditing (ISAs) resulting from enhancements aimed at addressing disclosures in the audit of the financial statements.



- (c) Changes the AUASB has identified through its review of existing modifications from the equivalent ISAs (i.e. “Aus” paragraphs) where the compelling reasons test has not been met.
5. This Auditing Standard uses underlining, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. Amendments made to text contained in footnotes are shown within the footnotes and underlining and striking out are also used to identify amendments. However, the amendments made by this Auditing Standard do not include that underlining, striking out or other typographical material.

## **Objective**

6. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:

ASA 200	<i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (27 October 2009)</i>
ASA 210	<i>Agreeing the Terms of Audit Engagements (27 October 2009)</i>
ASA 220	<i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information (27 October 2009)</i>
ASA 230	<i>Audit Documentation (27 October 2009)</i>
ASA 240	<i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report (27 October 2009)</i>
ASA 300	<i>Planning an Audit of a Financial Report (27 October 2009)</i>
ASA 315	<i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (27 October 2009)</i>
ASA 320	<i>Materiality in Planning and Performing an Audit (27 October 2009)</i>
ASA 330	<i>The Auditor's Responses to Assessed Risks (27 October 2009)</i>
ASA 450	<i>Evaluation of Misstatements Identified during the Audit (27 October 2009)</i>
ASA 500	<i>Audit Evidence (27 October 2009)</i>
ASA 510	<i>Initial Audit Engagements-Opening Balances (27 October 2009)</i>
ASA 540	<i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures (27 October 2009)</i>
ASA 560	<i>Subsequent Events (27 October 2009)</i>
ASA 580	<i>Written Representations (27 October 2009)</i>
ASA 600	<i>Special Considerations-Audits of a Group Financial Report (27 October 2009)</i>
ASA 710	<i>Comparative Information-Corresponding Figures and Comparative Financial Reports (27 October 2009)</i>
ASA 800	<i>Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (27 October 2009)</i>

## **Definition**

7. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

## **Amendments to Auditing Standards**

### **Amendments to ASA 200**

8. Paragraph 13(f) is amended to read as follows:

~~[Deleted by the AUASB. Refer Aus 13.2]~~

9. Paragraph Aus 13.2 is renamed as paragraph 13(f), and amended to read as follows:

Financial statements means a structured representation of historical financial information, including ~~related notes 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. (Ref: Para. A1–A2)

10. As a result of the change made in paragraph 9 of this Auditing Standard, subsequent "Aus" paragraph references within paragraph 13 of the Auditing Standard are re-numbered and references to these paragraphs are updated accordingly.

11. Paragraph Aus 13.4 is deleted and added to paragraph Aus 13.2 and is amended to read as follows:

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

12. A new heading titled "Definitions" is inserted under the existing title "Application and Other Explanatory Material."

13. A new sub-heading, titled "Financial statements (Ref: Para. 13(f))" is inserted under the new "Definitions" heading referred to in paragraph 12 of this Auditing Standard.

14. Paragraph Aus 22.1 is deleted as follows:

~~Application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial.~~

15. New paragraph A1 is inserted after the sub-heading referred to in paragraph 13 of this Auditing Standard as follows:

Some financial reporting frameworks may refer to an entity's economic resources or obligations in other terms. For example, these may be referred to as the entity's assets and liabilities, and the residual difference between them may be referred to as equity or equity interests.

16. As a result of the change made in paragraph 15 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
17. New paragraph A2 is inserted after new paragraph A1 as follows:

Explanatory or descriptive information required to be included in the financial statements by the applicable financial reporting framework may be incorporated therein by cross-reference to information in another document, such as a management report or a risk report. “Incorporated therein by cross-reference” means cross-referenced from the financial statements to the other document, but not from the other document to the financial statements. Where the applicable financial reporting framework does not expressly prohibit the cross-referencing of where explanatory or descriptive information may be found, and the information has been appropriately cross-referenced, the information will form part of the financial statements.

18. As a result of the change made in paragraph 17 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

#### **Amendments to ASA 210**

19. Paragraph A11 is amended to read as follows:

...

However, the concept of an independent audit requires that the auditor’s role does not involve taking responsibility for the preparation of the financial report or for the entity’s related internal control, and that the auditor has a reasonable expectation of obtaining the information necessary for the audit (including information obtained from outside of the general and subsidiary ledgers) in so far as management is able to provide or procure it.

...

20. Paragraph A24 is amended to read as follows:

... In addition to including the matters required by paragraph 10, an audit engagement letter may make reference to, for example:

...

- The requirement for the auditor to communicate key audit matters in the auditor’s report in accordance with ASA 701.<sup>1</sup>
- The expectation that management will provide written representations (see also paragraph A13).
- The expectation that management will provide access to all information of which management is aware that is relevant to the preparation of the financial report, including an expectation that management will provide access to information relevant to disclosures.
- The agreement of management to make available to the auditor the draft financial report and any other accompanying other information, including all information relevant to their preparation, whether obtained from within or outside of the general and subsidiary ledgers (including all information relevant to the preparation of disclosures), and the other information, if any, in time to allow the auditor to complete the audit in accordance with the proposed timetable.

...

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<sup>1</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

21. The following footnote, referenced to paragraph 20 of this Auditing Standard (eighth bullet point, “other information” wording) is inserted as follows:

<sup>1</sup> As defined in ASA 720 *The Auditor’s Responsibilities Relating to Other Information*.

22. Appendix 1 is amended to read as follows:

...

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

...

(c) To provide us with:<sup>11</sup>

23. The following footnote, referenced to paragraph 22 of this Auditing Standard is inserted as follows:

<sup>11</sup> See A24 for examples of other matters relating to management’s responsibilities that may be included.

24. Appendix 1 is amended to read as follows:

...

The objectives of our audit 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 this financial report.

...

~~.. and As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the planning and performing of the audit to obtain reasonable assurance about whether the financial report is free from material misstatement. An audit involves~~ 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.
- ~~In making our risk assessments, we~~ Obtain an understanding of ~~consider~~ internal control relevant to the ~~Company’s preparation of the financial report~~ audit in order to<sup>2</sup>
- ~~An audit also includes evaluating~~ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management, ~~as well as~~
- 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

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<sup>2</sup> This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

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.

- ~~evaluating~~ 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.

25. Appendix 1 is amended to read as follows:

...

[Insert appropriate reference to the expected form and content of the auditor's report including, if applicable, the reporting on other information in accordance with ASA 720.]

...

(c) (ii) ... ~~and~~

(iii) ~~evidence;~~ and

- Aus (iv) [Where applicable, in respect of other information:
  - (d) We will inform you of all the documents that we expect to issue that may comprise other information;  
*If the other information has been provided prior to the auditor's report date:*
  - (e) The financial report and any other information you may obtain prior to the date of your auditor's report will be consistent with one another, and the other information will not contain any material misstatements;] or  
*If the other information will not be provided prior to the auditor's report date:*
  - (f) [With regard to any other information that we will not provide to you prior to the date of the auditor's report, that we intend to prepare and issue such other information and that we expect to issue it by [insert date.] and will provide it to you to enable you to complete your required procedures.]

26. Paragraph 6(b) is updated as follows:

...

(Ref: Para. A11-A14, A19, A21-Aus A21.1)

27. Paragraph 10(e) is amended to read as follows:

...

Reference to the expected form and content of any reports to be issued by the auditor; and  
(Ref: Para. A25)

28. A new paragraph A25 is inserted as follows:

When the auditor is not required to communicate key audit matters, it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so. (Ref: Para 10(e))

29. As a result of the change made in paragraph 28 of this Auditing Standard, subsequent paragraph references are re-numbered and refers to these paragraphs are updated accordingly.
30. The heading titled “Additional Information (Ref: Para. 6(b)(iii)(b))” is added after paragraph A19.
31. A new paragraph A20 is inserted as follows:
- Additional information that the auditor may request from management for the purpose of the audit may include when applicable, matters related to other information in accordance with ASA 720. When the auditor expects to obtain other information after the date of the auditor’s report, the terms of the audit engagement may also acknowledge the auditor’s responsibilities relating to such other information including, if applicable, the actions that may be appropriate or necessary if the auditor concludes that a material misstatement of the other information exists in other information obtained after the date of the auditor’s report.
32. As a result of the change made in paragraph 31 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

**Amendments to ASA 220**

33. Paragraph number not used
34. Paragraph 20(d) is amended to read as follows:
- ...
- (d) ..... (Ref: Para. A26-A32)
35. Footnote 4 is amended to remove the comma after the phrase “paragraph Aus 12.1.”
36. Paragraph Aus A5.1 is amended to read as follows:
- Examples of-independence requirements that may be applicable are addressed in the *Corporations Act 2001*, Part 2M.3 Division 3,-and the relevant ethical requirements<sup>#</sup> in ASA 102.
37. Paragraph Aus A6.2 is deleted.
38. New Paragraph A29 is inserted after existing Paragraph A28 as follows: (subsequent paragraphs references are renumbered upwards by one)
- When ASA 701<sup>3</sup> applies, the conclusions reached by the engagement team in formulating the auditor’s report include determining:
- The key audit matters to be included in the auditor’s report;
  - The key audit matters that will not be communicated in the auditor’s report in accordance with paragraph 14 of ASA 701, if any; and
  - If applicable, depending on the facts and circumstances of the entity and the audit, that there are no key audit matters to communicate in the auditor’s report.
- In addition, the review of the proposed auditor’s report in accordance with paragraph 20(b) includes consideration of the proposed wording to be included in the Key Audit Matters section.

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<sup>#</sup> See ASA 102.

<sup>3</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report.*

**Amendments to ASA 230**

39. The Conformity Statement section is updated to reflect there is only one conforming difference with the IAASB (requirement paragraph Aus 16.1 having been deleted below).

The following requirements ~~are~~ is additional to ISA 230:

- ~~The auditor shall adopt appropriate procedures for maintaining the confidentiality, safe custody, integrity, accessibility and retrievability of the audit documentation. [Paragraph Aus 16.1]~~

40. The effective date for the illustrative examples contained in Appendix 1 is amended to delete the wording “in effect for audits of financial reports periods beginning on or after 1 January 2010...” to ensure consistency of effective date with the conforming amendments.

41. Paragraph number not used

42. The heading directly below paragraph 16(b), titled “Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of the Audit Documentation” is deleted.

43. Paragraph Aus 16.1 is deleted.

44. A fourth bullet point in paragraph A10 is now included to read as follows:

...

- When ASA 701 applies<sup>4</sup>, the auditor’s determination of the key audit matters or the determination that there are no key audit matters to be communicated.

45. The heading directly below paragraph A24, titled “Confidentiality, Safe Custody, Integrity, Accessibility and Retrievability of the Audit Documentation (Ref. Para. Aus 16.1)” is deleted.

46. Paragraph Aus A24.1 is deleted.

47. The Appendix is amended to read as follows:

...

- ASA 720 *The Auditor’s Responsibilities Relating to Other Information* – paragraph 25.

...

**Amendments to ASA 240**

48. Paragraph A4 is amended to read as follows:

... Fraud can be committed by management overriding controls using such techniques as intentionally:

...

- Omitting, advancing or delaying recognition in the financial statements of events and transactions that have occurred during the reporting period.
- Omitting, obscuring or misstating disclosures required by the applicable financial reporting framework, or disclosures that are necessary to achieve fair presentation.
- ~~Concealing, or not disclosing,~~ facts that could affect the amounts recorded in the financial report.

...

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<sup>4</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

49. Paragraph A11 is amended to read as follows:

The discussion may include such matters as:

- An exchange of ideas among engagement team members about how and where they believe the entity's financial report (including the individual financial statements and the disclosures) may be susceptible to material misstatement due to fraud, how management could perpetrate and conceal fraudulent financial reporting, and how assets of the entity could be misappropriated.
- ...
- A consideration of the risk that management may attempt to present disclosures in a manner that may obscure a proper understanding of the matters disclosed (for example, by including too much immaterial information or by using unclear or ambiguous language).

...

50. Paragraph Aus A65.1 is amended to read as follows:

An auditor is required by the *Corporations Act 2001* to notify the Australian Securities and Investments Commission (ASIC) if the auditor is aware of certain circumstances.

#### **Amendments to ASA 300**

51. Paragraph 9 is amended to read as follows:

...

- (c) Other planned audit procedures that are required to be carried out so that the engagement complies with the Australian Auditing Standards. (Ref: Para. A12–A14)

...

52. New paragraph A13 is inserted after paragraph A12 as follows:

Determining the nature, timing and extent of planned risk assessment procedures, and the further audit procedures, as they relate to disclosures is important in light of both the wide range of information and the level of detail that may be encompassed in those disclosures. Further, certain disclosures may contain information that is obtained from outside of the general and subsidiary ledgers, which may also affect the assessed risks and the nature, timing and extent of audit procedures to address them.

53. As a result of the change made in paragraph 52 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

54. New Paragraph A14 is inserted after paragraph A13 as follows:

Consideration of disclosures early in the audit assists the auditor in giving appropriate attention to, and planning adequate time for, addressing disclosures in the same way as classes of transactions, events and account balances. Early consideration may also help the auditor to determine the effects on the audit of:

- Significant new or revised disclosures required as a result of changes in the entity's environment, financial condition or activities (for example, a change in the required identification of segments and reporting of segment information arising from a significant business combination);
- Significant new or revised disclosures arising from changes in the applicable financial reporting framework;



- The need for the involvement of an auditor’s expert to assist with audit procedures related to particular disclosures (for example, disclosures related to superannuation or other retirement benefit obligations); and
- Matters relating to disclosures that the auditor may wish to discuss with those charged with governance.

55. The following footnote, referenced to paragraph 54 (last bullet point) of this Auditing Standard is inserted as follows:

<sup>2</sup> See ASA 260 *Communication with Those Charged with Governance*, paragraph A12.

56. As a result of the change made in paragraph 54 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

57. Appendix 1 is amended to read as follows:

...

Significant Factors, Preliminary Engagement Activities, and Knowledge Gained on Other Engagements

...

- Evidence of management’s commitment to the design, implementation and maintenance of sound internal control, including evidence of appropriate documentation of such internal control.
- Changes within the applicable financial reporting framework, such as changes in accounting standards, which may involve significant new or revised disclosures.
- ...
- The process(es) management uses to identify and prepare the disclosures required by the applicable financial reporting framework, including disclosures containing information that is obtained from outside of the general and subsidiary ledgers.
- ...
- ~~Significant changes in the financial reporting framework, such as changes in accounting standards.~~
- ...

#### **Amendments to ASA 315**

58. Paragraph 18 is amended to read as follows:

The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas:

(Ref: Para. A90-A92)

...

- (f) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments. (Ref: Para.A93-A94)

...

This understanding of the information system relevant to financial reporting shall include relevant aspects of that system relating to information disclosed in the financial report that is obtained from within or outside of the general and subsidiary ledgers.

59. Paragraph 26 is amended to read as follows:

For this purpose, the auditor shall:

- (a) Identify risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures (including the quantitative or qualitative aspects of such disclosures) in the financial report;  
(Ref: Para. A132-A137)

...

- (d) Consider the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement ~~is of a magnitude that~~ could result in a material misstatement. (Ref: Para. A137)

60. Paragraph A1 is amended to read as follows:

...

- Identifying areas relating to amounts or disclosures in the financial report where special audit consideration may be necessary, for example: related party transactions, ~~the appropriateness of or management's use of the~~ assessment of the entity's ability to continue as a going concern assumption; or when considering the business purpose of transactions;

...

61. Paragraph A19 is amended to read as follows:

...

- Significant changes that the entity or its operations may have undergone since the prior financial period, which may assist the auditor in gaining a sufficient understanding of the entity to identify and assess risks of material misstatement.
- Those particular types of transactions and other events or account balances (and related disclosures) where the auditor experienced difficulty in performing the necessary audit procedures, for example due to their complexity.

62. New paragraph A22 is inserted after paragraph A21 as follows:

As part of the discussion among the engagement team required by paragraph 10, consideration of the disclosure requirements of the applicable financial reporting framework assists in identifying early in the audit where there may be risks of material misstatement in relation to disclosures. Examples of matters the engagement team may discuss include:

- Changes in financial reporting requirements that may result in significant new or revised disclosures;
- Changes in the entity's environment, financial condition or activities that may result in significant new or revised disclosures, for example, a significant business combination in the period under audit;
- Disclosures for which obtaining sufficient appropriate audit evidence may have been difficult in the past; and
- Disclosures about complex matters, including those involving significant management judgement as to what information to disclose.

63. As a result of the change made in paragraph 62 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

64. Paragraph Aus A31.1 is deleted.

65. Paragraph A27 is amended to read as follows:

...

- Accounting principles and industry-specific practices.
- Regulatory framework for a regulated industry, including requirements for disclosures.

...

66. Paragraph A31 is amended to read as follows:

...

- ... Such issues may include whether goodwill, joint ventures, investments, or special-purpose entities are accounted for appropriately and whether adequate disclosure of such issues in the financial report have been made.
- The ownership, and relationships between owners and other people or entities. This understanding assists the auditor in determining whether related party transactions have been appropriately identified, and accounted for, appropriately and adequately disclosed in the financial report. ...

67. Paragraph A32 is amended to read as follows:

...

- Financial reporting practices such as:
  - Accounting principles and industry-specific practices, including for industry-specific significant ~~categories~~ classes of transactions, account balances and related disclosures in the financial report (for example, loans and investments for banks, or research and development for pharmaceuticals).
  - Revenue recognition ~~practices~~.

...

68. Paragraph A81 is amended to read as follows:

...

- The extent to which they evaluate whether the financial report is prepared in accordance with the applicable financial reporting framework, including whether the financial report includes adequate disclosures.

...

69. New paragraph A91 is inserted after paragraph A90 as follows:

The financial report may contain information that is obtained from outside of the general and subsidiary ledgers. Examples of such information may include:

- Information obtained from lease agreements disclosed in the financial report, such as renewal options or future lease payments.
- Information disclosed in the financial report that is produced by an entity's risk management system.
- Fair value information produced by management's experts and disclosed in the financial report.

- Information disclosed in the financial report that has been obtained from models, or from other calculations used to develop estimates recognised or disclosed in the financial report, including information relating to the underlying data and assumptions used in those models, such as:
    - Assumptions developed internally that may affect an asset's useful life; or
    - Data such as interest rates that are affected by factors outside the control of the entity.
  - Information disclosed in the financial report about sensitivity analyses derived from financial models that demonstrates that management has considered alternative assumptions.
  - Information recognised or disclosed in the financial report that has been obtained from an entity's tax returns and records.
  - Information disclosed in the financial report that has been obtained from analyses prepared to support management's assessment of the entity's ability to continue as a going concern, such as disclosures, if any, related to events or conditions that have been identified that may cast significant doubt on the entity's ability to continue as a going concern.
70. The following footnote, referenced to paragraph 69 of this Auditing Standard (last bullet point) is inserted as follows:
- <sup>2</sup> See paragraphs 19–20 of ASA 570.
71. As a result of the change made in paragraph 69 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
72. New paragraph A92 is inserted after paragraph A91 as follows:
- The understanding of the information system relevant to financial reporting required by paragraph 18 of this Auditing Standard (including the understanding of relevant aspects of that system relating to information disclosed in the financial report that is obtained from within or outside of the general and subsidiary ledgers) is a matter of the auditor's professional judgement. For example, certain amounts or disclosures in the entity's financial report (such as disclosures about credit risk, liquidity risk, and market risk) may be based on information obtained from the entity's risk management system. However, the auditor is not required to understand all aspects of the risk management system, and uses professional judgement in determining the necessary understanding.
73. As a result of the change made in paragraph 72 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
74. Paragraph A96 is amended to read as follows:
- The information system and related business processes relevant to financial reporting in small entities, including relevant aspects of that system relating to information disclosed in the financial report that is obtained from within or outside of the general and subsidiary ledgers, are likely to be less sophisticated than in larger entities, but ~~the~~ its role is just as significant. Small entities with active management involvement may not need extensive descriptions of accounting procedures, sophisticated accounting records, or written policies. Understanding the entity's information system relevant to financial reporting ~~and processes~~ may therefore be easier in an audit of smaller entities, and may be more dependent on enquiry than on review of documentation. The need to obtain an understanding, however, remains important.

75. New paragraph A103 is inserted after paragraph A102 as follows:

Control activities relevant to the audit may include controls established by management that address risks of material misstatement related to disclosures not being prepared in accordance with the applicable financial reporting framework, in addition to controls that address risks related to account balances and transactions. Such control activities may relate to information included in the financial report that is obtained from outside of the general and subsidiary ledgers.

76. As a result of the change made in paragraph 75 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

77. Paragraph A123 is amended to read as follows:

Risks at the financial report level may derive in particular from a deficient control environment (although these risks may also relate to other factors, such as declining economic conditions). For example, deficiencies such as ~~management's~~ a lack of management competence or lack of oversight over the preparation of the financial report may have a more pervasive effect on the financial report and may require an overall response by the auditor.

78. Paragraph A127 is amended to read as follows:

In representing that the financial report is in accordance with the applicable financial reporting framework, and other statutory reporting requirements, management implicitly or explicitly makes assertions regarding the recognition, measurement and presentation of classes of transactions and events, account balances and disclosures ~~of the various elements of financial report and related disclosures.~~

79. Paragraph number not used

80. A new heading is inserted above paragraph A128 as follows:

Assertions about classes of transactions, account balances, and related disclosures

81. Paragraph A128 is amended to read as follows:

Assertions used by the auditor ~~to~~ in considering the different types of potential misstatements that may occur may fall into the following ~~three~~ categories ~~and may take the following forms:~~

- (a) Assertions about classes of transactions and events, and related disclosures, for the period under audit:
  - (i) Occurrence—transactions and events that have been recorded or disclosed, have occurred, and such transactions and events pertain to the entity.
  - (ii) Completeness—all transactions and events that should have been recorded have been recorded, and all related disclosures that should have been included in the financial report have been included.
  - (iii) Accuracy—amounts and other data relating to recorded transactions and events have been recorded appropriately, and related disclosures have been appropriately measured and described.
  - ...
  - (vi) Presentation—transactions and events are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework.
- (b) Assertions about account balances, and related disclosures, at the period end:

...

- (iii) Completeness—all assets, liabilities and equity interests that should have been recorded have been recorded, and all related disclosures that should have been included in the financial report have been included.
- (iv) Accuracy, Valuation and allocation—~~financial and other information are disclosed fairly and at appropriate amounts~~ assets, liabilities, and equity interests have been included in the financial report at appropriate amounts and any resulting valuation or allocation adjustments have been appropriately recorded, and related disclosures have been appropriately measured and described.
- (v) Classification—assets, liabilities and equity interests have been recorded in the proper accounts.
- (vi) Presentation— assets, liabilities and equity interests are appropriately aggregated or disaggregated and clearly described, and related disclosures are relevant and understandable in the context of the requirements of the applicable financial reporting framework.

(c) — ~~Assertions about presentation and disclosure:~~

- (i) — ~~Occurrence and rights and obligations~~—disclosed events, transactions, and other matters have occurred and pertain to the entity.
- (ii) — ~~Completeness~~— all disclosures that should have been included in the financial report have been included.
- (iii) — ~~Classification and understandability~~— financial information is appropriately presented and described, and disclosures are clearly expressed.
- (iv) — ~~Accuracy and valuation~~— financial and other information are disclosed fairly and at appropriate amounts.

82. A new heading is inserted above paragraph A129 as follows:

Assertions about other disclosures

83. New paragraph A129 is inserted after paragraph A128 as follows:

The assertions described in paragraph A128(a)–(b) above, adapted as appropriate, may also be used by the auditor in considering the different types of potential misstatements that may occur in disclosures not directly related to recorded classes of transactions, events, or account balances. As an example of such a disclosure, the entity may be required to describe its exposure to risks arising from financial instruments, including how the risks arise; the objectives, policies and processes for managing the risks; and the methods used to measure the risks.

84. As a result of the change made in paragraph 83 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

85. Existing paragraph A125 is deleted.

86. Paragraph A131 is amended to read as follows:

... The risk assessment determines the nature, timing and extent of further audit procedures to be performed. In identifying the risks of material misstatement in the financial report, the auditor exercises professional scepticism in accordance with ASA 200.

87. The following footnote, referenced to paragraph 86 of this Auditing Standard is inserted as follows:

<sup>3</sup> See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 15.

88. Paragraph A132 is amended to read as follows:

Appendix 2 provides examples of conditions and events that may indicate the existence of risks of material misstatement, including risks of material misstatement relating to disclosures.

89. New Paragraph A133 is inserted after paragraph A132 as follows:

As explained in ASA 320, materiality and audit risk are considered when identifying and assessing the risks of material misstatement in classes of transactions, account balances and disclosures. The auditor's determination of materiality is a matter of professional judgement, and is affected by the auditor's perception of the financial reporting needs of users of the financial report.

90. The following footnotes, referenced to paragraph 89 of this Auditing Standard are inserted as follows:

<sup>1</sup> See ASA 320, *Materiality in Planning and Performing an Audit*, paragraph A1.

<sup>2</sup> See ASA 320, paragraph 4.

91. As a result of the change made in paragraph 89 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

92. New paragraph A134 is inserted after paragraph A133 as follows:

The auditor's consideration of disclosures in the financial report when identifying risks includes quantitative and qualitative disclosures, the misstatement of which could be material (i.e., in general, misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report as a whole). Depending on the circumstances of the entity and the engagement, examples of disclosures that will have qualitative aspects and that may be relevant when assessing the risks of material misstatement include disclosures about:

- Liquidity and debt covenants of an entity in financial distress.
- Events or circumstances that have led to the recognition of an impairment loss.
- Key sources of estimation uncertainty, including assumptions about the future.
- The nature of a change in accounting policy, and other relevant disclosures required by the applicable financial reporting framework, where, for example, new financial reporting requirements are expected to have a significant impact on the financial position and financial performance of the entity.
- Share-based payment arrangements, including information about how any amounts recognised were determined, and other relevant disclosures.
- Related parties, and related party transactions.
- Sensitivity analysis, including the effects of changes in assumptions used in the entity's valuation techniques intended to enable users to understand the underlying measurement uncertainty of a recorded or disclosed amount.

93. As a result of the change made in paragraph 92 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

94. A new heading is inserted above paragraph A135 as follows:

Considerations specific to smaller entities

95. New paragraph A135 is inserted after paragraph A134 as follows:

Disclosures in the financial report of smaller entities may be less detailed or less complex (e.g., some financial reporting frameworks allow smaller entities to provide fewer disclosures in the financial report). However, this does not relieve the auditor of the responsibility to obtain an understanding of the entity and its environment, including internal control, as it relates to disclosures.

96. As a result of the change made in paragraph 95 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

97. A new heading is inserted above paragraph A136 as follows:

Material Misstatements

98. New paragraph A136 is inserted after paragraph A135 as follows:

Potential misstatements in individual statements and disclosures may be judged to be material due to size, nature or circumstances. (Ref: Para. 26(d))

99. As a result of the change made in paragraph 98 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

100. Appendix 2 is amended to read as follows:

The following are examples of conditions and events that may indicate the existence of risks of material misstatement in the financial report. ...

- ...
- Deficiencies in internal control, especially those not addressed by management.
- Incentives for management and employees to engage in fraudulent financial reporting.
- ...
- Events or transactions that involve significant measurement uncertainty, including accounting estimates, and related disclosures.
- Omission, or obscuring, of significant information in disclosures.

...

#### **Amendments to ASA 320**

101. Paragraph 6 is amended to read as follows:

In planning the audit, the auditor makes judgements about ~~the size of~~ misstatements that will be considered material. These judgements provide a basis for:

... ~~Although it is not practicable to design audit procedures to detect all misstatements that could be material solely because of their nature,~~ However, consideration of the nature of potential misstatements in disclosures is relevant to the design of audit procedures to address risks of material misstatement. In addition, when evaluating the effect on the financial report of all uncorrected misstatements, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, ~~when evaluating their effect on the financial report.~~ (Ref: Para. A2)



102. The following footnotes, referenced to paragraph 101 of this Auditing Standard are inserted as follows:

<sup>1</sup> See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*, paragraphs A129-A130.

<sup>2</sup> See ASA 450, paragraph A16.

103. Paragraph Aus A1.1 and related footnote \* are deleted.

104. A new heading is inserted after existing paragraph A1 as follows:

Materiality in the Context of an Audit (Ref: Para. 6)

105. New paragraph A2 is inserted after paragraph A1 as follows:

Identifying and assessing the risks of material misstatement involves the use of professional judgement to identify those classes of transactions, account balances and disclosures, including qualitative disclosures, the misstatement of which could be material (i.e., in general, misstatements are considered to be material if they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report as a whole). When considering whether misstatements in qualitative disclosures could be material, the auditor may identify relevant factors such as:

- The circumstances of the entity for the period (for example, the entity may have undertaken a significant business combination during the period).
- The applicable financial reporting framework, including changes therein (for example, a new financial reporting standard may require new qualitative disclosures that are significant to the entity).
- Qualitative disclosures that are important to users of the financial report because of the nature of an entity (for example, liquidity risk disclosures may be important to users of the financial report for a financial institution).

106. The following footnote, referenced to paragraph 105 of this Auditing Standard, is inserted as follows:

<sup>1</sup> See ASA 315, paragraph 25, requires the auditor to identify and assess the risk of material misstatement at the financial statement and assertion level.

107. As a result of the change made in paragraph 105 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

108. Paragraph A11 is amended to read as follows:

...

- Whether law, regulation or the applicable financial reporting framework affect users' expectations regarding the measurement or disclosure of certain items (for example, related party transactions, ~~and~~ the remuneration of management and those charged with governance, ~~and~~ sensitivity analysis for fair value accounting estimates with high estimation uncertainty).
- ...
- Whether attention is focused on a particular aspect of the entity's business that is separately disclosed in the financial report (for example, ~~a newly acquired business disclosures about segments or a significant business combination~~).

109. Paragraph Aus A10.1 is deleted.

**Amendments to ASA 330**

110. Paragraph 20 is amended to read as follows:

...

- (a) Agreeing or reconciling information in the financial report with the underlying accounting records, including agreeing or reconciling information in disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers; and
- (b) ...

111. The existing heading directly above paragraph 24 is amended to read as follows:

Adequacy of Presentation and Disclosure of the Financial Report.

112. Paragraph Aus 21.1 is deleted as follows:

~~Timing of Substantive Procedures~~

~~Where the auditor plans to use audit evidence from the performance of substantive procedures in a prior audit, the auditor shall perform audit procedures during the current period to establish the continuing relevance of the audit evidence. (Ref: Para. A54)~~

113. Paragraph 24 is amended to read as follows:

The auditor shall perform audit procedures to evaluate whether the overall presentation of the financial report, ~~including the related disclosures~~, is in accordance with the applicable financial reporting framework. In making this evaluation, the auditor shall consider whether the financial report is presented in a manner that reflects the appropriate:

- Classification and description of financial information and the underlying transactions, events and conditions; and
- Presentation, structure and content of the financial report. (Ref: Para. A59)

114. Paragraph 30 is amended to read as follows:

The auditor's documentation shall demonstrate that information in the financial report agrees or reconciles with the underlying accounting records, including agreeing or reconciling disclosures, whether such information is obtained from within or outside of the general and subsidiary ledgers.

115. Paragraph A13 is amended to read as follows:

In addition, certain audit procedures can be performed only at or after the period end, for example:

- Agreeing or reconciling information in the financial report with the underlying accounting records, including classes of transactions, account balances and agreeing or reconciling disclosures, with the underlying accounting records including, as applicable, those relevant accounting records that are whether such information is obtained from within or outside of the general and subsidiary ledgers;

...

116. Paragraph A14 is amended to read as follows:

Further relevant factors that influence the auditor's consideration of when to perform audit procedures include the following:

...

- The timing of the preparation of the financial report, particularly for those disclosures that provide further explanation about amounts recorded in the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows.

117. Paragraph A52 is amended to read as follows:

The nature, and also the extent, of the auditor's substantive procedures related to the financial statement closing process ~~examination of journal entries and other adjustments~~ depends on the nature and complexity of the entity's financial reporting process and the related risks of material misstatement.

118. The heading directly above paragraph A59 is amended to read as follows:

Adequacy of Presentation and Disclosure of the Financial Report (Ref: Para. 24)

119. Paragraph A59 is amended to read as follows:

Evaluating the ~~overall~~ appropriate presentation, arrangement and content of the financial report, ~~including the related disclosures, relates to whether the individual financial report is presented in a manner that reflects the appropriate classification and description of financial information, and the form, arrangement, and content of the financial report and their appended notes. This includes, for example, consideration of the terminology used as required by the applicable financial reporting framework, the amount level of detail given provided, classification of items in the statements, aggregation and disaggregation of amounts and the bases of amounts set forth.~~

#### **Amendments to ASA 450**

120. Paragraph 4 is amended to read as follows:

For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:

- (a) Misstatement – means a difference between the reported amount, classification, presentation, or disclosure of a ~~reported~~ financial report item and the amount, classification, presentation, or disclosure that is required for the item to be in accordance with the applicable financial reporting framework. ...

...

121. Paragraph A1 is amended to read as follows:

Misstatements may result from:

...

- (b) An omission of an amount or disclosure, including inadequate or incomplete disclosures, and those disclosures required to meet disclosure objectives of certain financial reporting frameworks as applicable;
- (c) An incorrect accounting estimate arising from overlooking, or clear misinterpretation of, facts; ~~and~~
- (d) Judgements of management concerning accounting estimates that the auditor considers unreasonable or the selection and application of accounting policies that the auditor considers inappropriate.;
- (e) An inappropriate classification, aggregation or disaggregation, of information; and
- (f) For a financial report prepared in accordance with a fair presentation framework, the omission of a disclosure necessary for the financial report to achieve fair presentation beyond disclosures specifically required by the framework.

- ...
122. The following footnotes, referenced to paragraph 121 of this Auditing Standard, are inserted as follows:
- <sup>1.</sup> For example, AASB 7, *Financial Instruments: Disclosures*, paragraph 42H states that “an entity shall disclose any additional information that it considers necessary to meet the disclosure objectives in paragraph...”
  - <sup>2.</sup> For example, Australian Accounting Standards require an entity to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity’s financial position and financial performance (See AASB 101, *Presentation of Financial Statements*, paragraph 17(c)).
123. Paragraph A2 is amended to read as follows:
- ~~The auditor may designate an amount below which misstatements would be clearly trivial and would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial report. Paragraph 5 of this Auditing Standard requires the auditor to accumulate misstatements identified during the audit other than those that are clearly trivial. “Clearly trivial” is not another expression for “not material.” Matters Misstatements that are clearly trivial will be of a wholly different (smaller) order of magnitude, or of a wholly different nature than those that would be determined to be material, than materiality determined in accordance with ASA 320, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any criteria of size, nature or circumstances. When there is any uncertainty about whether one or more items are clearly trivial, the matter misstatement is considered not to be clearly trivial.~~
124. A new heading is inserted above paragraph A3 as follows:
- Misstatements in Individual Statements
125. New paragraph A3 is inserted as follows:
- The auditor may designate an amount below which misstatements of amounts in the individual statements would be clearly trivial, and would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial report. However, misstatements of amounts that are above the designated amount are accumulated as required by paragraph 5 of this Auditing Standard. In addition, misstatements relating to amounts may not be clearly trivial when judged on criteria of nature or circumstances, and, if not, are accumulated as required by paragraph 5 of this Auditing Standard.
126. As a result of the change made in paragraph 125 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
127. A new heading is inserted above paragraph A4 as follows:
- Misstatements in Disclosures
128. New paragraph A4 is inserted as follows:
- Misstatements in disclosures may also be clearly trivial whether taken individually or in aggregate, and whether judged by any criteria of size, nature or circumstances. Misstatements in disclosures that are not clearly trivial are also accumulated to assist the auditor in evaluating the effect of such misstatements on the relevant disclosures and the financial report as a whole.

Paragraph A14 of this Auditing Standard provides examples of where misstatements in qualitative disclosures may be material.

129. As a result of the change made in paragraph 128 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

130. A new heading is inserted above paragraph A5 as follows:

Accumulation of Misstatements

131. New paragraph A5 is inserted after new paragraph A4 as follows:

Misstatements by nature or circumstances, accumulated as described in paragraphs A3-A4, cannot be added together as is possible in the case of misstatements of amounts. Nevertheless, the auditor is required by paragraph 11 of this Auditing Standard to evaluate those misstatements individually and in aggregate (i.e., collectively with other misstatements) to determine whether they are material.

132. As a result of the change made in paragraph 131 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

133. Paragraph A6 is amended to read as follows:

...

- Judgemental misstatements are differences arising from the judgements of management including those concerning recognition, measurement, presentation and disclosure in the financial report (including accounting estimates that the auditor considers unreasonable, or the selection or application of accounting policies) that the auditor considers unreasonable or inappropriate.

...

134. Existing Paragraph A10 is amended to read as follows:

Timely communication of misstatements to the appropriate level of management is important as it enables management to evaluate whether the ~~items~~ classes of transactions, account balances and disclosures are misstatements, inform the auditor if it disagrees, and take action as necessary. Ordinarily, the appropriate level of management is the one that has responsibility and authority to evaluate the misstatements and to take the necessary action.

135. Existing paragraph A16 is amended to read as follows:

Each individual misstatement of an amount is considered to evaluate its effect on the relevant classes of transactions, account balances or disclosures, including whether the materiality level for that particular class of transactions, account balance or disclosure, if any, has been exceeded.

136. New paragraph A17 is inserted after paragraph A16 as follows:

In addition, each individual misstatement of a qualitative disclosure is considered to evaluate its effect on the relevant disclosure(s), as well as its overall effect on the financial report as a whole. The determination of whether a misstatement(s) in a qualitative disclosure is material, in the context of the applicable financial reporting framework and the specific circumstances of the entity, is a matter that involves the exercise of professional judgement. Examples where such misstatements may be material include:

- Inaccurate or incomplete descriptions of information about the objectives, policies and processes for managing capital for entities with insurance and banking activities.

- The omission of information about the events or circumstances that have led to an impairment loss (e.g., a significant long-term decline in the demand for a metal or commodity) in an entity with mining operations.
  - The incorrect description of an accounting policy relating to a significant item in the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows.
  - The inadequate description of the sensitivity of an exchange rate in an entity that undertakes International trading activities.
137. As a result of the change made in paragraph 136 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
138. New paragraph A18 is inserted after new paragraph A17 as follows:
- In determining whether uncorrected misstatements by nature are material as required by paragraph 11 of this Auditing Standard, the auditor considers uncorrected misstatements in amounts and disclosures. Such misstatements may be considered material either individually, or when taken in combination with other misstatements. For example, depending on the misstatements identified in disclosures, the auditor may consider whether:
- (a) Identified errors are persistent or pervasive; or
  - (b) A number of identified misstatements are relevant to the same matter, and considered collectively may affect the users' understanding of that matter.
- This consideration of accumulated misstatements is also helpful when evaluating the financial report in accordance with paragraph 13(d) of ASA 700, which requires the auditor to consider whether the overall presentation of the financial report has been undermined by including information that is not relevant or that obscures a proper understanding of the matters disclosed.
139. The following footnote, referenced to paragraph 138 of this Auditing Standard, is inserted as follows:
- <sup>1.</sup> See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.
140. As a result of the change made in paragraph 138 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
141. ~~Existing~~ Paragraph A20 is amended to read as follows:
- ... Depending on the circumstances, misstatements in disclosures could also be indicative of fraud, and, for example, may arise from:
- Misleading disclosures that have resulted from bias in management's judgements; or
  - Extensive duplicative or uninformative disclosures that are intended to obscure a proper understanding of matters in the financial report.
- When considering the implications of misstatements in classes of transactions, account balances and disclosures, the auditor exercises professional scepticism in accordance with ASA 200.
142. The following footnote, referenced to paragraph 141 of this Auditing Standard, is inserted as follows:
- <sup>1.</sup> See ASA 200, paragraph 15.
143. Paragraph Aus A1.1 is deleted.

144. Footnote<sup>\*</sup>, referenced to Paragraph Aus A1.1 amendment listed at 143. above, is deleted.

145. Paragraph A21 is amended to read as follows:

...

- ~~Affects other information that will be communicated to be included in the entity's annual report documents containing the audited financial report (for example, information to be included in a "Management Discussion and Analysis" or an "Operating and Financial Review") that may reasonably be expected to influence the economic decisions of the users of the financial report. ASA 720 deals with the auditor's responsibilities relating to consideration of other information on which the auditor has no obligation to report in documents containing audited financial report.~~

146. The following footnote, referenced to Paragraph A21 amendment listed at 145. above, is amended as footnote 63:

- <sup>63</sup> ~~See ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*.~~

#### **Amendments to ASA 500**

147. Paragraph 5(c) is amended to read as follows:

Audit evidence – means information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial report and ~~other~~ information obtained from other sources.

#### **Amendments to ASA 510**

148. Paragraph A8(b) is amended to read as follows:

[Deleted by the AUASB. Refer [Aus] Illustration 2A.]

149. Appendix 1 is amended to read as follows:

#### **Illustrations of Auditors's Reports with Modified Opinions**

Note: Throughout these illustrative auditor's reports, the *Opinion* section has been positioned first in accordance with ASA 700, and the *Basis for Opinion* section is positioned immediately after the *Opinion* section. Also, the first and last sentence that was included in the extant auditor's responsibilities section is now subsumed as part of the new *Basis for Opinion* section.

#### **Illustration 1:**

For purposes of this illustrative auditor's report, the following circumstances described in paragraph A8(a) include the following are assumed:

- Audit of the financial report of an entity other than a listed entity. The audit is not a group audit (i.e. ASA 600<sup>5</sup> does not apply).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose framework). The financial report is *not* prepared under the *Corporations Act 2001*.

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<sup>5</sup> See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.<sup>6</sup>
- ....
- 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.<sup>7</sup>
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.<sup>8</sup>
- Corresponding figures are presented, and the prior period’s financial report was audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and has decided to do so.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~

## **INDEPENDENT AUDITOR’S REPORT**

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

### **Report on the Audit of the Financial Report<sup>9</sup>**

#### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity (the Entity),... and notes to the financial statements, comprising including a summary of significant accounting policies...

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report ~~paragraph~~, the accompanying financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the ABC Entity...

#### **Basis for Qualified Opinion**

....

We conducted our audit in accordance with Australian Auditing Standards. ~~Our responsibility is to express an opinion on the financial report based on our audit.~~ 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

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<sup>6</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*.

<sup>7</sup> See ASA 570 *Going Concern*.

<sup>8</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

<sup>\*</sup> See ASA 720 *The Auditor’s Responsibilities Relating to Other Information*.

<sup>9</sup> The sub-title “Report on the Audit of the Financial Report”...



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. ...

**Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]**

[Reporting in accordance with the reporting requirements in ASA 720 – see [Aus] Illustration 6A in Appendix 3 of ASA 720.<sup>#</sup>]

**Other Matter**

The financial report of the ABC-Entity ...

**Responsibilities of Management<sup>10</sup>s and Those Charged with Governance Responsibility for the Financial Report<sup>11</sup>**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, 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 Responsibilities for the Audit of the Financial Report**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

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 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 and fair presentation<sup>12</sup> 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.<sup>13</sup> 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 qualified audit opinion.

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<sup>#</sup> Paragraph 22 of ASA 720 requires the auditor to consider the implications for the other information statement of a matter giving rise to a qualified or adverse opinion in accordance with ASA 705. See ASA 720, Appendix 2, [Aus] Illustration 6A, for circumstances where the matter giving rise to a qualified opinion impacts on the conclusion provided on the other information.

<sup>10</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>11</sup> 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.

<sup>12</sup> 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 a 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."<sup>2</sup>

<sup>13</sup> 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."<sup>2</sup> 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 a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>2</sup>

## **Report on Other Legal and Regulatory Requirements**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]*

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

...

### **[Aus] Illustration 2A:**

*For purposes of this illustrative auditor's report, the following circumstances described in paragraph A8(a) include the following are assumed:*

- *Audit of the financial report of a single listed company. The audit is not a group audit (i.e. ASA 600<sup>14</sup> does not apply).*
- *The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and the financial report is 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.<sup>15</sup>*
- *....*
- *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.<sup>16</sup>*
- *Key audit matters have been communicated in accordance with ASA 701.<sup>17</sup>*
- *Corresponding figures are presented, and the prior period's financial report was audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor's report on the corresponding figures and has decided to do so.*
- *The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.\**
- *In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.*
- *~~The financial report is prepared under the *Corporations Act 2001*.~~*

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<sup>14</sup> See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

<sup>15</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*.

<sup>16</sup> See ASA 570 *Going Concern*.

<sup>17</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

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

## **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

### **Report on the Audit of the Financial Report**<sup>18</sup>

#### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC ~~Entity~~ Company Ltd., (the Company) ... ~~and notes to the financial statements, comprising~~ including a summary of significant accounting policies...

In our opinion, ... *Basis for Qualified Opinion* section of our report ~~paragraph~~, the ~~accompanying~~ financial report of ABC ~~Entity~~ Company Ltd., is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Company's ... and of its financial performance ... ~~[registered scheme/dislosing Entity]'s...~~

#### **Basis for Qualified Opinion**

....

~~... Our responsibility is to express an opinion on the financial report based on our audit. 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.~~

#### **Key Audit Matters**

~~[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]~~

#### **Other Information [or another title if appropriate such as “Information Other than the Financial Report and Auditor’s Report Thereon”]**

~~[Reporting in accordance with the reporting requirements in ASA 720 – see [Aus] Illustration 6A in Appendix 3 of ASA 720.<sup>#</sup>]~~

#### **Other Matter**

The financial report of the Company...

#### **Responsibilities of the Directors Responsibility for the Financial Report**

~~[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]~~

~~The Directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors<sup>2</sup> determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.~~

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<sup>18</sup> The sub-title “Report on the Audit of the Financial Report” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements”, or other appropriate sub-title, is not applicable.

<sup>#</sup> Paragraph 22 ASA 720 requires the auditor to consider the implications for the other information statement of a matter giving rise to a qualified or adverse opinion in accordance with ASA 705. See ASA 720, Appendix 2, [Aus] Illustration 6A, for circumstances where the matter giving rise to a qualified opinion impacts on the conclusion provided on the other information.

### **Auditor's Responsibility Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]*

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 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 and fair presentation<sup>19</sup> 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.<sup>20</sup> 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 qualified audit opinion.

### **Report on the Remuneration Report\***

*[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]*

[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 name and signature]

[Name of firm]

...

### **Amendments to ASA 540**

150. Paragraph A19 is amended to read as follows:

...

- Accounting policies relating to accounting estimates have changed, as a result of changes to within the requirements of the applicable financial reporting framework or otherwise.

...

151. Paragraph 23 is amended to read as follows:

- (a) ...significant risks; and
- (b) ... (Ref. Para. A128), ~~and~~

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<sup>19</sup> 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 a 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."<sup>22</sup>

<sup>20</sup> 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."<sup>22</sup> 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 a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>22</sup>

152. Paragraph Aus 23.1 is deleted.
153. Paragraph Aus A7.1 bullet point is deleted.
154. Paragraph A114 is amended to read as follows:

...Where applicable, the auditor may also determine that there is a need to draw the reader's attention to that an accounting estimate that has been identified as having a high significant estimation uncertainty by adding an Emphasis of Matter paragraph to the auditor's report is a key audit matter to be communicated in the auditor's report in accordance with ASA 701,<sup>21</sup> or may consider it necessary to include an Emphasis of Matter paragraph in the auditor's report (see ASA 706). establishes requirements and provides guidance concerning such paragraphs. If the matter is determined to be a key audit matter, ASA 706 prohibits the auditor from including an Emphasis of Matter paragraph in the auditor's report.<sup>22</sup>

155. Paragraph Aus A124.1 and its related footnote are deleted.
156. The Conformity Statement section is re-located to directly after the Authority Statement section and updated to reflect there are no longer any conforming differences with the IAASB (requirement paragraph Aus 23.1 having been deleted above).

#### **Amendments to ASA 560**

157. Paragraph 1 is amended to read as follows:

This Auditing Standard deals with the auditor's responsibilities relating to subsequent events in an audit of a financial report. It does not deal with matters relating to the auditor's responsibilities for other information obtained after the date of the auditor's report, which are addressed in ASA 720. However, such other information may bring to light a subsequent event that is within the scope of this Auditing Standard. (Ref: Para. A1)

158. The following footnote, referenced to Paragraph 1 amendment listed at 157. above, is amended as footnote 75:

<sup>75</sup> See ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

159. Paragraph A1 is amended to read as follows:

When the audited financial report is included in other documents subsequent to the issuance of the financial report (other than annual reports that would be within the scope of ASA 720), the auditor may have additional responsibilities relating to subsequent events that the auditor may need to consider, such as legal or regulatory requirements involving the offering of securities to the public in jurisdictions in which the securities are being offered.

...

160. Paragraph Aus A3.1 is deleted.
161. The heading titled "Implications of Other Information Obtained after the Date of the Auditor's Report (Ref: Para. 10)" is added after Paragraph A10.
162. New Paragraph A11 is inserted after Paragraph A10 as follows:

While the auditor has no obligation to perform any audit procedures regarding the financial report after the date of the auditor's report but before the date the financial report is issued, ASA 720 contains requirements and guidance with respect to other information obtained

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<sup>21</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

<sup>22</sup> See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 8(b).

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

after the date of the auditor's report, which might include other information obtained after the date of the auditor's report, but before the date the financial report is issued.

163. As a result of the change made in paragraph 162 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
164. The heading titled "Implications of Other Information Received after the Financial Report Has Been Issued (Ref: Para. 14)" is added after paragraph A17.
165. New Paragraph A18 is inserted after paragraph A17 as follows:
- The auditor's obligations regarding other information received after the date of the auditor's report are addressed in ASA 720. While the auditor has no obligation to perform any audit procedures regarding the financial report after the financial report has been issued, ASA 720 contains requirements and guidance with respect to other information obtained after the date of the auditor's report.
166. As a result of the change made in paragraph 165 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.

#### **Amendments to ASA 580**

167. The following footnote is inserted in Appendix 2 as follows:

...

#### *Information Provided<sup>1</sup>*

We have provided you with:

...

- <sup>1</sup> If the auditor has included other matters relating to management's responsibilities in the audit engagement letter in accordance with ASA 210 *Agreeing the Terms of Audit Engagements*, consideration may be given to including these matters in the written representations from management or those charged with governance.

168. The second Paragraph A1 reference (directly below the heading "Management from whom Written Representations are Requested (Ref: Para. 9)" is renumbered as paragraph A2 and all following paragraph references renumbered upwards by one.
169. Paragraph Aus A20.1 is deleted. In addition, paragraph 10 is amended as follows:
- The auditor shall request management to provide a written ... financial reporting framework, and other statutory reporting requirements, including where relevant ...
170. The effective date for the illustrative examples contained in Appendix 1 are amended to delete the wording "in effect for audits of financial reports for periods beginning on or after 1 January 2010..." for consistency of effective date with the conforming amendments.
171. Appendix 1 is amended to read as follows:
- This appendix identifies paragraphs in other Auditing Standards that require subject-matter specific written representations.
- ...
- *ASA 720 The Auditor's Responsibilities Relating to Other Information – paragraph 13(c).*

172. Appendix 2 is amended to read as follows:

...

- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware. (ASA 550)

- Aus In respect of other information:

- We have informed you of all the documents that we expect to issue that may comprise other information;

*If the other information has been provided prior to the auditor's report date:*

- [The financial report and any other information obtained by you prior to the date of your auditor's report is consistent with one another, and the other information does not contain any material misstatements;] or

*If the other information will not be provided prior to the auditor's report date:*

- [With regard to any other information that we have not provided to you prior to the date of the auditor's report, that we intend to prepare and issue such other information and that we expect to issue it by [insert date.] and will provide it to you to enable you to complete your required procedures.] ...

#### **Amendments to ASA 600**

173. The heading directly below paragraph 49(e) titled "Reporting Considerations" is deleted.

174. Paragraph Aus 49.1 is deleted.

175. Paragraph Aus A65.1 is deleted.

176. Appendix 1 is amended to read as follows:

Under the heading "Illustrations of Auditors' Reports with Modifications to the Opinion-General Purpose Financial Reports"

Note: Throughout these illustrative auditors' reports, the *Opinion* section has been positioned first in accordance with ASA 700, and the *Basis for Opinion* section is positioned immediately after the *Opinion* section. Also, the first and last sentence that was included in the extant auditor's responsibilities section is now subsumed as part of the new *Basis for Opinion* section.

**Illustration 1:** For purposes of this illustrative auditor's report, the following circumstances are assumed. Circumstance include the following:

- ~~Audit of a general purpose financial report prepared by management of the Entity the financial statements are prepared in accordance with Australian Accounting Standards.~~
- Audit of the financial report of an entity other than a listed entity and its subsidiaries (the Group). The audit is a group audit (i.e. ASA 600 applies).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose 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.

- ~~In this example,~~ The group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognised at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.
- The group engagement team has read the audited financial report of the component as at 30 June 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.
- In the group engagement partner's judgement, the effect on the group financial report of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.<sup>23</sup>
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.<sup>24</sup>
- The auditor has obtained all of the other information prior to the date of the auditor's report and the qualified opinion on the financial report also affects the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law.

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Report on the Financial Report**

#### **Qualified Opinion**

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* ~~section~~ of our report ~~paragraph~~, the accompanying financial report of the Group presents fairly, in all material respects (or "gives a true and fair view of"), the financial position of the Group ABC Entity and its subsidiaries as at 30 June 20X1, and (of) its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards, and [relevant reporting framework.]

<sup>23</sup> If, in the group engagement partner's judgement, the effect on the financial report of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with ASA 705.

<sup>24</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.



## Basis for Qualified Opinion

...

...Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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.

...

## **Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]**

*[Reporting in accordance with the reporting requirements of ASA 720 – see [Aus] Illustration 6A in Appendix 3 of ASA 720. The last paragraph of the other information section in [Aus] Illustration 6A would be customised to describe the specific matter giving rise to the qualified opinion that also affects the other information.]*

## **Responsibilities of Management<sup>25</sup>s and Those Charged with Governance Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700<sup>26</sup> – see Illustration 3 in the Appendix of ASA 700.]*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and [relevant reporting framework]<sup>27</sup> 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 Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700. The last two paragraphs which are applicable for audits of listed entities only would not be included.]*

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 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 and fair presentation<sup>28</sup> of the financial report in order to design audit procedures that is appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness

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<sup>25</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>26</sup> See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

<sup>27</sup> 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 a financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ..."

<sup>28</sup> In the case of footnote 3, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a 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."

of the Entity's internal control.<sup>29</sup>—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 qualified audit opinion.

### **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.]

...

#### **[Aus] Illustration 1A:**

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

- ~~Audit of a general purpose financial report prepared by management of the Entity the financial statements are prepared in accordance with Australian Accounting Standards.~~
- Audit of the financial report of a listed company and its subsidiaries (the Group). The audit is a group audit (i.e. ASA 600 applies).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and under the Corporations Act 2001. The directors have elected to report only the consolidated financial position and financial results in the primary financial statements.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.
- ~~In this example, The group engagement team was unable to obtain sufficient appropriate audit evidence..... balance sheet statement of financial position..~~
- ...
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern in accordance with ASA 570.
- Key audit matters have been communicated in accordance with ASA 701.
- The auditor has obtained no other information prior the date of the auditor's report but expects to obtain the other information after the date of the auditor's report.
- ~~In this example, the group engagement team is unable to obtain sufficient appropriate audit evidence relating to a significant component accounted for by the equity method (recognised at \$15 million in the statement of financial position, which reflects total assets~~

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<sup>29</sup>—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 3, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

of \$60 million) because the group engagement team did not have access to the accounting records, management, or auditor of the component.

- The group engagement team has read the audited financial report of the component as at 30 June 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.
- In the group engagement partner's judgement, the possible effect of the inability to obtain sufficient appropriate audit evidence is deemed to be material but not pervasive to the financial report (i.e. a qualified opinion is appropriate).

...

## **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

### **Report on the Audit of the Financial Report**

#### **Qualified Opinion**

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

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report paragraph, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 20X1 and of its financial performance for the year ~~ended on that date~~ then ended; and ~~[registered scheme/dislosing Entity]'s~~...

#### **Basis for Qualified Opinion**

ABC Company's investment in XYZ Entity...

...Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the 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.

...

#### **Key Audit Matters**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]

#### **Other Information [or another title if appropriate such as “Information Other than the Financial Report and Auditor's Report Thereon”]**

[Reporting in accordance with the reporting requirements in ASA 720 – see [Aus] Illustration 4A in Appendix 3 of ASA 720.]

### **Responsibilities of the Directors Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]*

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

### **Auditor’s Responsibility Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]*

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 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 company’s preparation and fair presentation<sup>30</sup> of the financial report in order to design audit procedures that is appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control.<sup>31</sup> 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 qualified audit opinion.

### **Report on the Remuneration Report**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]*

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

#### *Opinion on the Remuneration Report*

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

~~[Auditor’s name and signature]~~

~~[Name of firm]~~

...

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<sup>30</sup> — In the case of footnote 3, this may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of a 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.”

<sup>31</sup> — 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 3, this may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances.”

**Amendments to ASA 710**

177. Paragraph 14 is amended to read as follows:  
...Such a statement ... report. (Ref. Para. A8)
178. Paragraph 18 is amended to read as follows:  
...(Ref. Para. Aus A8.1, Aus 12.1, A13)
179. Paragraph 19 is amended to read as follows:  
...Such a statement .. report. (Ref. Para. A12)
180. In the Application and Other Explanatory Material section a new section titled “Prior Period Financial Report Not Audited (Ref. Para. 14)” is inserted directly under existing paragraph A7 and a new paragraph A8 is inserted underneath as follows:  
If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by ASA 705<sup>32</sup> to express a qualified opinion or disclaim an opinion on the financial report, as appropriate, in accordance with ASA 705. If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period’s financial report, the auditor may determine this to be a key audit matter in accordance with ASA 701.<sup>33</sup>
181. As a result of the change made in paragraph 180 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
182. Paragraph Aus A7.1 is deleted.
183. In the Application and Other Explanatory Material section a new section titled “Prior Period Financial Report Not Audited (Ref. Para. 19)” is inserted directly under existing paragraph A11 and a new paragraph A12 is inserted underneath as follows:  
If the auditor is unable to obtain sufficient appropriate audit evidence regarding the opening balances, the auditor is required by ASA 705 to express a qualified opinion or disclaim an opinion on the financial report, as appropriate, in accordance with ASA 705. If the auditor encountered significant difficulty in obtaining sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period’s financial report, the auditor may determine this to be a key audit matter in accordance with ASA 701.
184. As a result of the change made in paragraph 183 of this Auditing Standard, subsequent paragraph references are re-numbered and references to these paragraphs are updated accordingly.
185. Appendix 1 is amended to read as follows:

**Illustrations of Auditors’s Reports**

Note: Throughout these illustrative auditor’s reports, the *Opinion* section has been positioned first in accordance with ASA 700, and the *Basis for Opinion* section is positioned immediately after the *Opinion* section. Also, the first and last sentence that was included in the extant auditor’s responsibilities section is now subsumed as part of the new *Basis for Opinion* section.

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<sup>32</sup> See ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report*.

<sup>33</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*.

**Illustration 1 – Corresponding Figures** (Ref: Para. A5)

For purposes of this ~~Report~~ illustrative auditor's report, the following ~~of the~~ circumstances ~~described in~~ paragraph 11(a), as follows are assumed:

- Audit of the financial report of an entity other than a listed entity. The audit is not a group audit (i.e. ASA 600<sup>34</sup> does not apply).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose 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.<sup>35</sup>
- ...
- 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.<sup>36</sup>
- The auditor is not required to, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.<sup>37</sup>
- The auditor has not obtained any other information prior to the date of the auditor's report.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

**INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Report<sup>38</sup>**

**Qualified Opinion**

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

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<sup>34</sup> See ASA 600 *Special Considerations—Audits of Group Financial Reports (Including the Work of Component Auditors)*.

<sup>35</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*.

<sup>36</sup> See ASA 570 *Going Concern*.

<sup>37</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

<sup>38</sup> The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other

Legal and Regulatory Requirements" is not applicable, or other appropriate sub-title, is not applicable.

\* Or other appropriate term assertion by management or those charged with governance.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report paragraph, the accompanying financial report of ABC Entity presents fairly, in all material respects, (or gives a true and fair view of) the Entity's financial position as at 30 June 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

### **Basis for Qualified Opinion**

...

...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.

...

### **Responsibilities of Management<sup>39</sup>s and Those Charged with Governance Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>40</sup> 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 Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

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 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, 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.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>41</sup> 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

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<sup>39</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>40</sup> Where management's responsibility is to prepare the financial reports that gives a true and fair view, this may read: "Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ..."

<sup>41</sup> 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 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."

of the Entity's internal control.<sup>42</sup> 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 qualified audit opinion.

### **Report on Other Legal and Regulatory Requirements**

[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]

[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]

...

### **[Aus] Illustration 1A – Corresponding Figures**

For purposes of this Report illustrative auditor's report, the following of the circumstances described in paragraph 11(a), as follows are assumed:

- Audit of the financial report of an single listed company. The audit is not a group audit (i.e. ASA 600<sup>43</sup> does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and prepared under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.<sup>44</sup>
- ...
- 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.<sup>45</sup>
- Key audit matters have been communicated in accordance with ASA 701.<sup>46</sup>
- The auditor has obtained no other information prior to the date of the auditor's report but expects to obtain the other information after the date of the auditor's report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(C) of the Corporations Act 2001.

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<sup>42</sup> 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."<sup>22</sup> 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 the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>22</sup>

<sup>43</sup> See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

<sup>44</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*.

<sup>45</sup> See ASA 570 *Going Concern*.

<sup>46</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.



## **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

### **Report on the Audit of the Financial Report\***

#### **Qualified Opinion**

...

In our opinion...*Basis for Qualified Opinion* section of our report paragraph, the accompanying financial report...including:

- (i) giving a true ... financial performance ...

#### **Basis for Qualified Opinion**

...

...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.

#### **Key Audit Matters**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]

#### **Other Information [or another title if appropriate such as “Information Other than the Financial Report and Auditor’s Report Thereon”]**

[Reporting in accordance with the reporting requirements in ASA 720 – see [Aus] Illustration 4A in Appendix 3 of ASA 720.]

...

#### **Responsibilities of the Directors Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>47</sup> and for such internal control as the directors<sup>2</sup> 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 Responsibilities for the Audit of the Financial Report**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

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 and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

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\* The sub-title “Report on the Audit of the Financial Report” ...

<sup>47</sup> Where management’s responsibility is to prepare the financial reports that gives a true and fair view, this may read: “Management is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ...”

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, 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.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>48</sup> 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.<sup>49</sup> 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 qualified audit opinion.

#### **Report on ~~Other Legal and Regulatory Requirements~~ the Remuneration Report**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

[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 name and signature]

[Name of firm]

#### **Illustration 2 – Corresponding figures (Ref: Para. A5)**

For purposes of this Report illustrative auditor's report the following of the circumstances described in paragraph 11(b) as follows are assumed:

- Audit of the financial report of an entity other than a listed entity. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose framework). The 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 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

<sup>48</sup> 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 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."<sup>2</sup>

<sup>49</sup> 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."<sup>2</sup> 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 the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>2</sup>

ability to continue as a going concern in accordance with ASA 570.

- The auditor is not required and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has not obtained any other information prior to the date of the auditor's report.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law.

## **INDEPENDENT AUDITOR'S REPORT**

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

**Report on the Audit of the Financial Report**

### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity... notes to the financial statements, including a summary of significant accounting policies...

In our opinion,...described in the *Basis for Qualified Opinion* section of our report ~~paragraph~~, the accompanying financial report...the financial position of the ABC Entity... and (of) its financial performance ...

### **Basis for Qualified Opinion**

Because we were appointed auditors of the ABC Entity...

...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. ...

...

### **Responsibilities of Management<sup>50</sup>s and Those Charged with Governance Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

~~Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>51</sup> 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 Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

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<sup>50</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>51</sup> 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 a financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ...."

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 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, 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.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>52</sup> 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.<sup>53</sup> 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 qualified audit opinion.

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

...

**[Aus] Illustration 2A:**

For purposes of this Report illustrative auditor's report, the following of the circumstances described in paragraph 11(a), as follows are assumed:

- Audit of the financial report of a single listed company. The audit is not a group audit (i.e., ASA 600<sup>54</sup> does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and prepared under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.<sup>55</sup>
- ...
- 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

<sup>52</sup> 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 a 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."

<sup>53</sup> 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 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

<sup>54</sup> See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

<sup>55</sup> See ASA 210 *Agreeing the Terms of Audit Engagements*.

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.<sup>56</sup>

- Key audit matters have been communicated in accordance with ASA 701.<sup>57</sup>
- The auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(C) of the *Corporations Act 2001*.

## **INDEPENDENT AUDITOR'S REPORT**

[Appropriate Addressee]

### **Report on the Audit of the Financial Report<sup>58</sup>**

#### **Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ... and notes to the financial statements, including a summary of significant accounting policies ...

...

In our opinion...Basis for Qualified Opinion section of our report ~~paragraph~~, the accompanying financial report... and of its financial performance ...

#### **Basis for Qualified Opinion**

...

...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.

...

#### **Key Audit Matters**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

#### **Other Information [or another title if appropriate such as “Information Other than the Financial Report and Auditor's Report Thereon”]**

[Reporting in accordance with the reporting requirements in ASA 720 – see [Aus] Illustration 1A in Appendix 3 of ASA 720.]

#### **Responsibilities of the Directors' Responsibility for the Financial Report**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in the Appendix of ASA 700.]

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<sup>56</sup> See ASA 570 *Going Concern*.

<sup>57</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

<sup>58</sup> The sub-title “Report on the Audit of the Financial Report”...

The directors are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and for such internal control as the directors<sup>2</sup> 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 Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration IA in the Appendix of ASA 700.]*

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 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, 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.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>59</sup> 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.<sup>60</sup> 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 qualified audit opinion.

**Report on the Remuneration Report**

*[Reporting in accordance with ASA 700 – see [Aus] Illustration IA in the Appendix of ASA 700.]*

[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 name and signature]

...

**Illustration 3 – Corresponding figures (Ref: Para. A7)**

For purposes of this Report illustrative auditor's report the following of the circumstances described in paragraph 13, as follows are assumed:

- Audit of the financial report of an entity other than a listed entity. The audit is not a group audit (i.e., ASA 600 does not apply).

<sup>59</sup> 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 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."<sup>2</sup>

<sup>60</sup> 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."<sup>2</sup> 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 the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."<sup>2</sup>

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

## **INDEPENDENT AUDITOR’S REPORT**

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

### **Report on the Audit of the Financial Report<sup>61</sup>**

#### **Opinion**

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

In our opinion, the ~~accompanying~~ financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the ABC Entity as at 30 June 20X1...

#### **Basis for Opinion**

...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.

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<sup>61</sup>—The sub-title “Report on the Audit of the Financial Report” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

...

**Other Information [or another title if appropriate such as “Information Other than the Financial Report and Auditor’s Report Thereon”]**

*[Reporting in accordance with the reporting requirements in ASA 720 – see [Aus] Illustration 1A in Appendix 3 of ASA 720.]*

**Other Matters**

The financial report of the ABC Entity ...

**Responsibilities of Management<sup>62</sup>s and Those Charged with Governance Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>63</sup> 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 Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

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 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, 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.

In making those risk assessments, the auditor considers internal control relevant to the Entity’s preparation and fair presentation<sup>64</sup> 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.<sup>65</sup> 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.

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<sup>62</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>63</sup> 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 a financial report that gives a true and fair view in accordance with Australian Accounting Standards, and for such ...”

<sup>64</sup> 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 a 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.”

<sup>65</sup> 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 4, this may read: “In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances.”



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

...

**Illustration 4:**

For purposes of this Report illustrative auditor's report of the following circumstances described in paragraph 15, as follows are assumed:

- Audit of the financial report of an entity other than a listed entity. The audit is not a group audit (i.e., ASA 600 does not apply).
- ~~The financial report is not prepared under the *Corporations Act 2001*.~~
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose 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 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 auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ASA 701.
- The auditor has not obtained any other information prior to the date of the auditor's report.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law.

INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Financial Report**

**Qualified Opinion**

We have audited the ~~accompanying~~ financial report of ABC Entity (the Entity) ... and notes to the financial statements, including comprising a summary of significant accounting policies...

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* ~~paragraph~~ section of our report, the accompanying financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the ABC Entity... and (of) its financial performance ...

**Basis for Qualified Opinion**

...

...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.

...

### **Responsibilities of Management<sup>66,2</sup>s and Those Charged with Governance Responsibility for the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

Management is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards,<sup>67</sup> 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 Responsibilities for the Audit of the Financial Report**

*[Reporting in accordance with ASA 700 – see Illustration 3 in the Appendix of ASA 700.]*

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 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, 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.

In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation and fair presentation<sup>68</sup> 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.<sup>69</sup> 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 qualified audit opinion.

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

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<sup>66</sup> Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

<sup>67</sup> 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 a financial report that gives a true and fair view in accordance Australian Accounting Standards, and for such ...."

<sup>68</sup> 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 a 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."

<sup>69</sup> 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 4, this may read: "In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of a financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances."

**Amendments to ASA 800**

186. Paragraph Aus 6.1 is amended to read as follows:

Special purpose financial report means a complete set of financial statements, ~~including the related notes~~ including an assertion statement by those responsible for the financial report, prepared in accordance with a special purpose framework. ~~The related notes ordinarily comprise a summary of significant accounting policies and other explanatory information. The requirements of the applicable financial reporting framework determine the presentation, structure, form and content of a financial report prepared in accordance with a special purpose framework.~~ (Ref: Para. A1-A4)