Appendix 1

(Ref: Para. A19)

##### Illustrations of Auditors’ Reports with Modifications to the Opinion—General Purpose Financial Reports

* Illustration 1: An auditor’s report containing a qualified opinion due to the auditor’s inability to obtain sufficient appropriate audit evidence.
* [Aus] Illustration 1A: An auditor’s report containing a qualified opinion due to the auditor’s inability to obtain sufficient appropriate audit evidence (under the *Corporations Act 2001*).

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.

**Example Auditor’s Report  
General Purpose Financial Report—Qualified Opinion  
The group engagement team is not able to obtain sufficient appropriate audit evidence on which to base the group audit opinion**

**(Fair Presentation Framework)**

|  |
| --- |
| **Illustration 1:**  For purposes of this illustrative auditor’s report the following circumstances are assumed:   * 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. * 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 of 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 financial report of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.[[1]](#footnote-1) * The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board’s APES 110 *Code* *of* *Ethics* *for* *Professional* *Accountants (including Independence Standards)*. * 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 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]

**Qualified Opinion**

We have audited the financial report of ABC Entity and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 20X1, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by those charged with governance.[[2]](#footnote-2)\*

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 as at 30 June 20X1, and (*of*) its financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards.

**Basis for Qualified Opinion**

ABC Entity’s investment in XYZ Entity, a foreign associate acquired during the year and accounted for by the equity method, is carried at $15 million on the statement of financial position as at 30 June 20X1, and ABC Entity’s share of XYZ’s profit of $1 million is included in the statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC Entity’s investment in XYZ as at 30 June 20X1 and ABC’s share of XYZ’s profit for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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

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

**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 and Those Charged with Governance for the Financial Report**

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

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

[*Reporting in accordance with ASA 700 – see [Aus] 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.*]

[*Signature*][[3]](#footnote-3)\*

[*Date of the auditor’s report*]

[*Auditor’s address*]

**Example Auditor’s Report  
General Purpose Financial Report — Qualified Opinion under the *Corporations Act 2001*  
The group engagement team is not able to obtain sufficient appropriate audit evidence on which to base the group audit opinion**

**(Fair Presentation Framework)**

|  |
| --- |
| [Aus] Illustration 1A:  For purposes of this illustrative auditor’s report, the following circumstances are assumed:   * 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. * The group engagement team was 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 of 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.) * The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board’s APES 110 *Code* *of* *Ethics* *for* *Professional* *Accountants (including Independence Standards)*. * 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 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(3C) of the *Corporations Act 2001*. |

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

**Report on the Audit of the Financial Report**[[4]](#footnote-4)\*

**Qualified Opinion**

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

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

* + 1. 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 then ended; and
    2. complying with Australian Accounting Standards and the *Corporations* *Regulations* *2001*.

**Basis for Qualified Opinion**

ABC Company Ltd’s investment in XYZ Entity, a foreign associate acquired during the year and accounted for by the equity method, is carried at $15 million on the statement of financial position as at 30 June 20X1, and ABC’s share of XYZ’s profit of $1 million is included in the statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC’s investment in XYZ as at 30 June 20X1 and ABC’s share of XYZ’s profit for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s* *Responsibilities* *for* *the* *Audit* *of* *the* *Financial* *Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board’s APES 110 *Code* *of* *Ethics* *for* *Professional* *Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor’s report.[[5]](#footnote-5)#

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

**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 for the Financial Report**

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

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

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

**Report on the Remuneration Report**[[6]](#footnote-6)\*

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

[*Auditor’s name and signature*][[7]](#footnote-7)#

[*Name of Firm*]

[*Date of the auditor’s report*]

[*Auditor’s address*]

1. 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. [↑](#footnote-ref-1)
2. \* Or other appropriate assertion by management or those charged with governance. [↑](#footnote-ref-2)
3. \* The auditor’s signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate. [↑](#footnote-ref-3)
4. \* 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. [↑](#footnote-ref-4)
5. # Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor’s report was made. [↑](#footnote-ref-5)
6. \* The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—see ASA 700, paragraphs 43-45. Any additional “Other Reporting Responsibilities” that the auditor needs to address, will also be included in a separate section of the auditor’s report. Under paragraph 43 of ASA 700, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section, is used. [↑](#footnote-ref-6)
7. # The auditor is required, *under the Corporations Act 2001*, to sign the auditor’s report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable. [↑](#footnote-ref-7)