**Appendix**

(Ref: Para. A17‑A18, A25)

##### Illustrations of Auditor’s Reports with Modifications to the Opinion

* Illustration 1: [Deleted by the AUASB. Refer [Aus] Illustration 1A].
* [Aus] Illustration 1A: An auditor’s report containing a qualified opinion due to a material misstatement of the financial report prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
* Illustration 2: [Deleted by the AUASB. Refer [Aus] Illustration 2A].
* [Aus] Illustration 2A: An auditor’s report containing an adverse opinion due to a material misstatement of the group financial report prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
* Illustration 3: [Deleted by the AUASB. Refer Illustration [Aus] 3A].
* [Aus] Illustration 3A: An auditor’s report containing a qualified opinion due to the auditor’s inability to obtain sufficient appropriate audit evidence regarding a foreign associate - financial report prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
* Illustration 4: An auditor’s report containing a disclaimer of opinion due to the auditor’s inability to obtain sufficient appropriate audit evidence about a single element of the financial report.
* Illustration 5: An auditor’s report containing a disclaimer of opinion due to the auditor’s inability to obtain sufficient appropriate audit evidence about multiple elements of the financial report.

**Example Auditor’s Report  
Single Company—*Corporations Act 2001*  
(Fair Presentation Framework)**

| [Aus] Illustration 1A: Qualified Opinion due to a Material Misstatement of the Financial Report  For purposes of this illustrative auditor’s report, the following circumstances are assumed:   * Audit of the financial report of a single listed company. The audit is not a group audit (i.e. ASA 600 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 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. * Inventories are misstated. The misstatement 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 company’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 all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the financial report also affects 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*. |
| --- |

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

**Report on the Audit of the Financial Report**[[1]](#footnote-1)#

**Qualified Opinion**

We have audited the financial report of ABC Company Ltd. (the Company), 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 the directors’ declaration.

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 ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

* 1. giving a true and fair view of the company’s financial position as at 30 June 20X1 and of its financial performance for the year then ended; and
  2. complying with Australian Accounting Standards and the *Corporations* *Regulations* *2001*.

**Basis for Qualified Opinion**

The Company’s inventories are carried in the statement of financial position at $xxx. The directors have not stated the inventories at the lower of cost and net realisable value but have stated them solely at cost, which constitutes a departure from Australian Accounting Standards. The Company’s records indicate that, had the directors stated the inventories at the lower of cost and net realisable value, an amount of $xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by $xxx, and income tax, net income and shareholders’ equity would have been reduced by $xxx, $xxx and $xxx, respectively.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s* *Responsibilities* *for* *the* *Audit* *of* *the* *Financial* *Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & 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 ABC Company Ltd., would be in the same terms if given to the directors as at the time of this auditor’s report.[[2]](#footnote-2)\*

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

**Key Audit Matters**

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

[*Description* *of* *each* *key* *audit* *matter* *in* *accordance* *with* *ASA* *701*.]

**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 revised* *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*.[[3]](#footnote-3)#]

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

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

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

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

**Report on the Remuneration Report**[[4]](#footnote-4)§

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

[*Auditor’s name and signature*]*[[5]](#footnote-5)\**

[*Name of Firm*]

[*Date of the auditor’s report*]

[*Auditor’s address*]

**Example Auditor’s Report  
Consolidated Entity—*Corporations Act 2001*  
(Fair Presentation Framework)**

| [Aus] Illustration 2A: Adverse Opinion due to a Material Misstatement of the Financial Report  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 financial report is materially misstated due to the non‑consolidation of a subsidiary. The material misstatement is deemed to be pervasive to the financial report. The effects of the misstatement on the financial report has not been determined because it was not practicable to do so (i.e., an adverse 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 of to continue as a going concern in accordance with ASA 570. * ASA 701 applies; however, the auditor has determined that there are no key audit matters other than the matter described in the Basis for Adverse Opinion section. * The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the adverse opinion on the financial report also affects 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*. |
| --- |

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

**Report on the Audit of the Consolidated Financial Report[[6]](#footnote-6)#**

**Adverse 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, notes comprising a summary of significant accounting policies, and the directors’ declaration.

In our opinion, because of the significance of the matter discussed in the *Basis* *for* *Adverse* *Opinion* section of our report, the accompanying financial report of the Group is not 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 Adverse Opinion**

As explained in Note X, the Group has not consolidated subsidiary XYZ Company that the Group acquired during 20X1 because it has not yet been able to determine the fair values of certain of the subsidiary’s material assets and liabilities at the acquisition date. This investment is therefore accounted for on a cost basis. Under Australian Accounting Standards, the Group should have consolidated this subsidiary and accounted for the acquisition based on provisional amounts. Had XYZ Company been consolidated, many elements in the accompanying financial report would have been materially affected. The effects on the financial report of the failure to consolidate have not been determined.

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 Group, would be in the same terms if given to the directors as at the time of this auditor’s report.[[7]](#footnote-7)\*

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

**Key Audit Matters**

Except for the matter described in the *Basis* *for* *Adverse* *Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

**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 7A in Appendix 3 of ASA 720. *The last paragraph of the other information section in [Aus] Illustration 7A would be customised to describe the specific matter giving rise to the adverse opinion that also affects the other information*.[[8]](#footnote-8)#]

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

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

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

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

**Report on the Remuneration Report**[[9]](#footnote-9)§

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

[*Auditor’s* *name* *and* *signature*][[10]](#footnote-10)\*

[*Name of Firm*]

[*Date* *of* *the* *auditor’s* *report*]

[*Auditor’s* *address*]

**Example Auditor’s Report  
Consolidated Entity—*Corporations Act 2001*  
(Fair Presentation Framework)**

| [Aus] Illustration 3A: Qualified Opinion due the Auditor’s Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate  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 auditor was unable to obtain sufficient appropriate audit evidence regarding an investment in a foreign associate. The possible effects of the inability to obtain sufficient appropriate audit evidence are 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 all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the financial report also affects 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*. |
| --- |

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

**Report on the Audit of the Financial Report**[[11]](#footnote-11)#

**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, notes comprising a summary of significant accounting policies, and the directors’ declaration.

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 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**

The ABC Company’s investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at $xxx on the consolidated statement of financial position as at 30 June 20X1, and ABC Company’s share of XYZ Company’s net income of $xxx is included in ABC Company’s income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC Company’s investment in XYZ Company as at 30 June 20X1 and ABC Company’s share of XYZ Company’s net income for the year because we were denied access to the financial information, management, and the auditors of XYZ Company. 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 Group, would be in the same terms if given to the directors as at the time of this auditor’s report.[[12]](#footnote-12)\*

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

**Key Audit Matters**

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

[*Description* *of* *each* *key* *audit* *matter* *in* *accordance* *with* *ASA* *701*.]

**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*.[[13]](#footnote-13)#]

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

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

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

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

**Report on the Remuneration Report**[[14]](#footnote-14)§

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

[*Auditor’s* *name* *and* *signature*][[15]](#footnote-15)\*

[*Name of Firm*]

[*Date* *of* *the* *auditor’s* *report*]

[*Auditor’s* *address*]

**Example Auditor’s Report  
Consolidated Entity (not listed)  
(Fair Presentation Framework)**

| Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Financial Report  For purposes of this illustrative auditor’s report, the following circumstances are assumed:   * Audit of a 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 in accordance with 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 was unable to obtain sufficient appropriate audit evidence about a single element of the financial report. That is, the auditor was also unable to obtain audit evidence about the financial information of a joint venture investment that represents over 90% of the entity’s net assets. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial report (i.e., a disclaimer of 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)*. * Inclusion of key audit matters is not permitted under paragraph 29. * The auditor is not permitted to include an other information section in accordance with ASA 720[[16]](#footnote-16)\*. * Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report. * A more limited description of the auditor’s responsibilities section is required. * In addition to the audit of the financial report, the auditor has other reporting responsibilities required under law. |
| --- |

INDEPENDENT AUDITOR’S REPORT

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

**Report on the Audit of the Financial Report[[17]](#footnote-17)\***

**Disclaimer of Opinion**

We were engaged to audit 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, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the declaration by those charged with governance.[[18]](#footnote-18)#

We do not express an opinion on the accompanying financial report of the Group. Because of the significance of the matter described in the *Basis* *for* *Disclaimer* *of* *Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

**Basis for Disclaimer of Opinion**

The Group’s investment in its joint venture XYZ Entity is carried at $xxx on the consolidated statement of financial position, which represents over 90% of the Group’s net assets as at 30 June 20X1. We were not allowed access to the management and the auditors of XYZ Entity, including XYZ Entity’s auditor’s audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of the Group’s proportional share of XYZ Entity’s assets that it controls jointly, its proportional share of XYZ Entity’s liabilities for which it is jointly responsible, its proportional share of XYZ’s income and expenses for the year, and the elements making up the consolidated statement of changes in equity and the consolidated cash flow statement.

**Responsibilities of Management and Those Charged with Governance for the Financial Report[[19]](#footnote-19)†**

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 the financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the financial reporting process of the Group.

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

Our responsibility is to conduct an audit of the financial report in accordance with Australian Auditing Standards and to issue an auditor’s report. However, because of the matter described in the *Basis* *for* *Disclaimer* *of* *Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial 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.

**Report on Other Legal and Regulatory Requirements**

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

[*Signature*][[20]](#footnote-20)\*

[*Date of the auditor’s report*]

[*Auditor’s address*]

**Example Auditor’s Report  
Single Entity (not listed)  
(Fair Presentation Framework)**

|  |
| --- |
| Illustration 5 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Report  For purposes of this illustrative auditor’s report, the following circumstances are assumed:   * Audit of a 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 in accordance with 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 was unable to obtain sufficient appropriate audit evidence about multiple elements of the financial report, that is, the auditor was also unable to obtain audit evidence about the entity’s inventories and accounts receivable. The possible effects of this inability to obtain sufficient appropriate audit evidence are deemed to be both material and pervasive to the financial report. * 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)*. * Inclusion of key audit matters is not permitted under paragraph 29. * The auditor is not permitted to include an other information section in accordance with ASA 720[[21]](#footnote-21)\*. * Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report. * A more limited description of the auditor’s responsibilities section is required. * In addition to the audit of the financial report, the auditor has other reporting responsibilities required under law. |

INDEPENDENT AUDITOR’S REPORT

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

**Report on the Audit of the Financial Report[[22]](#footnote-22)#**

**Disclaimer of Opinion**

We were engaged to audit the 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 the declaration by those charged with governance.[[23]](#footnote-23)#

We do not express an opinion on the accompanying financial report of the Entity. Because of the significance of the matters described in the *Basis* *for* *Disclaimer* *of* *Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

**Basis for Disclaimer of Opinion**

We were not appointed as auditors of the Entity until after 30 June 20X1 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 20X0 and 20X1, which are stated in the statements of financial position at $xxx and $xxx, respectively. In addition, the introduction of a new computerised accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the statement of financial position at a total amount of $xx as at 30 June 20X1. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

**Responsibilities of Management and Those Charged with Governance for the Financial Report[[24]](#footnote-24)†**

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

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

Our responsibility is to conduct an audit of the Entity’s financial report in accordance with Australian Auditing Standards and to issue an auditor’s report. However, because of the matters described in the *Basis* *for* *Disclaimer* *of* *Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report.

We are independent of the Entity 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.

**Report on Other Legal and Regulatory Requirements**

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

[*Signature*][[25]](#footnote-25)§

[*Date of the auditor’s report*]

[*Auditor’s address*]

1. # The sub-title “Report on the Financial Report” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements”, or other appropriate sub-title, is not applicable. [↑](#footnote-ref-1)
2. \* 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. [Refer: section 307C (5A)(d) of the *Corporations Act 2001*.] [↑](#footnote-ref-2)
3. # 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. [↑](#footnote-ref-3)
4. § The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—refer paragraphs 42-44. 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 42, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section is used. [↑](#footnote-ref-4)
5. \* 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-5)
6. # 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-6)
7. \* 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. [Refer: section 307C (5A)(d) of the *Corporations Act 2001.*] [↑](#footnote-ref-7)
8. # 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. [↑](#footnote-ref-8)
9. § The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—refer paragraphs 42-44. 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 42, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section is used. [↑](#footnote-ref-9)
10. \* 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-10)
11. # 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-11)
12. \* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor’s report was made. [Section 307C (5A)(d) of the *Corporations Act 2001.*] [↑](#footnote-ref-12)
13. # Paragraph 22 of revised 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. [↑](#footnote-ref-13)
14. § The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—refer paragraphs 42-44. 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 42, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section is used. [↑](#footnote-ref-14)
15. \* 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-15)
16. \* Paragraph A54 of ASA 720 *The Auditor’s Responsibilities Relating to Other Information* requires the auditor not to include a other information section, when the auditor issues a disclaimer of opinion on the financial report in accordance with ASA 705. [↑](#footnote-ref-16)
17. \* 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. [↑](#footnote-ref-17)
18. # Or other applicable assertion by management or those charged with governance. [↑](#footnote-ref-18)
19. † Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. [↑](#footnote-ref-19)
20. \* The auditor’s signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate. [Ref: ASA 700 Aus A59.1] [↑](#footnote-ref-20)
21. \* Paragraph A54 of revised ASA 720 *The Auditor’s Responsibilities Relating to Other Information*  requires the auditor not to include an other information section, when the auditor issues a disclaimer of opinion on the financial report in accordance with ASA 705. [↑](#footnote-ref-21)
22. # 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. [↑](#footnote-ref-22)
23. # Or other applicable assertion by management or those charged with governance. [↑](#footnote-ref-23)
24. † Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction. [↑](#footnote-ref-24)
25. § The auditor’s signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate. [Ref: ASA 700 Aus A59.1] [↑](#footnote-ref-25)