Appendix 1

(Ref: Para. A14)

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

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

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

Illustration 3:[Deleted by the AUASB.]

[Aus] Illustration 4: [Deleted by the AUASB as a result of changes to the Australian Accounting Standards impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements[[1]](#footnote-1)#]

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

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| Illustration 1: An auditor’s report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).For purposes of this illustrative auditor’s report, the following circumstances are assumed:* The financial report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks. The financial report is *not* prepared under the *Corporations Act 2001*.
* The applicable financial reporting framework is a compliance framework.
* An auditor’s report on the general purpose financial report was not issued.
* The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
* The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
* The relevant ethical requirements that apply to the audit are the Accounting Professional & 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.
* Distribution and use of the auditor’s report are restricted.
* The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
* The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
* Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
* The auditor has no other reporting responsibilities required under law or regulation.
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###### INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

###### Opinion

We have audited the financial report of ABC Company (the Company), which comprises the balance sheet as at 31 December 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and management’s assertion statement[[2]](#footnote-2)\*.

In our opinion, the accompanying financial report of the Company for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with the financial reporting provisions of Section Z of the contract dated 1 January  20X1 between the Company and DEF Company (“the contract”).

###### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s* *Responsibilities* *for* *the* *Audit* *of* *the* *Financial report* section of our report. We are independent of the Company in accordance with the 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, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

###### Responsibilities of Management and Those Charged with Governance for the Financial Report[[3]](#footnote-3)

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

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

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

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

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

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

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

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

* Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.*[[4]](#footnote-4)*
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
* Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

Signature[[5]](#footnote-5)\*

[*Date of the auditor’s report*][[6]](#footnote-6)#

[*Auditor’s* *address*]

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| Illustration 2: An auditor’s report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).For purposes of this illustrative auditor’s report, the following circumstances are assumed:* Audit of a financial report that has been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks. This financial report is *not* prepared under the *Corporations Act 2001*.
* The applicable financial reporting framework is a compliance framework.
* The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
* The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
* The relevant ethical requirements that apply to the audit are the Accounting Professional & 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.
* Distribution of the auditor’s report is restricted.
* The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
* The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
* Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
* The auditor has no other reporting responsibilities required under law or regulation.
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##### INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

**Opinion**

We have audited the financial report of ABC Partnership (the Partnership), which comprises the balance sheet as at 31 December 20X1 and the income statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and management’s assertion statement.[[7]](#footnote-7)\*

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

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s* *Responsibilities* *for* *the* *Audit* *of* *the* *Financial report* section of our report. We are independent of the Partnership 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, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

###### Responsibilities of Management and Those Charged with Governance for the Financial Report[[8]](#footnote-8)

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

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

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

###### Auditor’s Responsibilities for the Audit of the Financial report

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

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

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

* Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
* Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership’s internal control.*[[9]](#footnote-9)*
* 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 Partnership’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
* Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

*[Signature][[10]](#footnote-10)\**

*[Date of the auditor’s report][[11]](#footnote-11)#*

*[Auditor’s address]*

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| [Aus] Illustration 5: An auditor’s report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).For purposes of this illustrative auditor’s report, the following circumstances are assumed:* Audit of the financial report prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the *applicable legislation*. Management does not have a choice of financial reporting frameworks.
* The applicable financial reporting framework is a fair presentation framework.
* The financial report is not prepared under the *Corporations Act 2001*.
* The terms of the audit engagement reflect the description of management’s responsibility for the financial 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 & 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.
* Distribution and use of the auditor’s report is not restricted.
* The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
* No Other Information is expected to be obtained and the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
* Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
* The auditor has no other reporting responsibilities required under local law or regulation.
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##### INDEPENDENT AUDITOR’S REPORT

**[Appropriate Addressee]**

**Opinion**

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements’ assertion statement[[12]](#footnote-12)\*.

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 Entity as at 31 December 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of the *applicable legislation*].

**Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional & 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 opinion.

**Emphasis of Matter – Basis of Accounting**

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

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

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

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

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

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

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

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

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

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

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

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

[Auditor’s name and signature][[13]](#footnote-13)\*

[Date of the auditor’s report][[14]](#footnote-14)#

[Auditor’s address]

1. # See AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.* [↑](#footnote-ref-1)
2. \* Or other appropriate term. [↑](#footnote-ref-2)
3. 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. [↑](#footnote-ref-3)
4. 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. [↑](#footnote-ref-4)
5. \* 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-5)
6. # The auditor’s report is dated as of the date the auditor signs that report. [↑](#footnote-ref-6)
7. \* Or other term as appropriate. [↑](#footnote-ref-7)
8. Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction [↑](#footnote-ref-8)
9. 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. [↑](#footnote-ref-9)
10. \* 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-10)
11. # The auditor’s report is dated as of the date the auditor signs that report. [↑](#footnote-ref-11)
12. \* Or other appropriate description. [↑](#footnote-ref-12)
13. \* 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-13)
14. # The auditor’s report is dated as of the date the auditor signs that report. [↑](#footnote-ref-14)