Appendix 6

(Ref: Para.58)

Example auditor’s reports - mSE

(Not Prescribed)

**ILLUSTRATIONS**

* Illustration 1: A single-form MSE auditor’s report that comprises *all* subject matters and *all* levels of assurance.
* Illustration 2(a): An auditor’s report on a financial report prepared in accordance with a special purpose framework.
* Illustration 2(b): A single-form MSE auditor’s report that comprises *all* subject matters and *all* levels of assurance with the exception of the financial report under illustration 2(a).

**INTRODUCTION**

The following examples of auditor’s reports illustrate how the various sections of a MSE can be reported when the form and content of the auditor’s report is *not* prescribed.

The auditor is the auditor of the annual financial report and is also the auditor of the grant acquittal.

| The examples are to be used as a guide only and will need to be adapted according to the engagement requirements and the circumstances. As explained in paragraphs 58 and 59 of this Guidance Statement, the auditor considers several factors in determining how best to report on the different sections of the MSE while complying with the engagement mandate(s) and the relevant AUASB Standards, and considering user needs.  For example: The following Illustrations 1 and 2(b) could be set out in the auditor’s report in a Part A, Part B, Part C format. The elements of the auditor’s report – subject matter, responsibilities, conclusions etc., that are required by each relevant AUASB Standard(s) are set out in distinct and self‑contained sections of the auditor’s report - Part A, Part B etc. [GS 017 *Prudential Reporting Requirements For Auditors of a Life Company* provides an example of such layout.] |
| --- |

Important Principles Illustrated

The principles illustrated by the example auditor’s reports [**Illustrations 1, 2(a)** and **2(b)**] are:

* 1. Using a single‑form document to discharge different reporting requirements.
  2. Using a combination of auditor’s reports.
  3. Using identifiable sections in the auditor’s report to assist user understanding.
  4. Clear identification of various subject matters.
  5. Clear identification of different levels of assurance provided.
  6. Clear descriptions of the responsibilities of both management and the auditor, in respect of the different subject matters.
  7. Discrete descriptions of the auditor’s procedures depending on the particular subject matter.
  8. Although not specifically illustrated, the ability to include other information, such as:
     1. A declaration of independence.
     2. A basis for modification.
     3. A restriction on distribution of the auditor’s report.
     4. An alert as to the inherent limitations in any internal control structure.
  9. Conclusions expressed differently to reflect the individual sections of the engagement and the different levels of assurance (reasonable and limited).

**Illustration 1**

The first example is a single-form MSE auditor’s report that comprises *all* subject matters and *all* levels of assurance that comprise the MSE.

The entity is a not-for-profitincorporated association that is required to meet the financial reporting requirements of the applicable State Act or Regulation – that is to prepare and lodge an audited annual financial report with the Regulator. The Regulator:

* 1. does not prescribe the financial reporting framework or the form and content of the auditor’s report; and
  2. accepts a single-form multi-scope auditor’s report that includes opinions and conclusions that are in addition to the opinion on the annual financial report. The Regulator accepts that the auditor’s report is addressed to the members of the entity and therefore may include other auditor reporting such as a grant acquittal.

This illustrative multi-scope auditor’s report has been developed using the requirements and examples provided in the following AUASB Standards:

| MSE Section | AUASB Standard | AUASB Standard Reference |
| --- | --- | --- |
| *Reasonable Assurance* | | |
| Annual Financial Report (special purpose) | ASA 800 | [Aus] Illustration 5 |
| Statement of Grant Income and Expenditure | ASA 805 | Illustration 2 |
| Compliance with the grant agreement | ASAE 3000 | Section titled “Preparing the Assurance Report” |
| ASAE 3100 | Example 1 |
| *Limited Assurance* | | |
| Statement of labour costs. | ASRE 2405 | Example 1 |
| Statement of employee numbers | ASAE 3000 | Section titled “Preparing the Assurance Report” |

**Illustration** **1**

Example Auditor’s Report

[SINGLE-FORM multi-scope]

### [Reporting in accordance with ASA 800, ASA 805, ASAE 3000, ASAE 3100 and ASRE 2405]

[Appropriate addressee]

We have audited:

* 1. The accompanying financial report of ABC Entity, which comprises the statement of financial position as at 30 June 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration;
  2. The accompanying statement of grant income and expenditure of ABC Entity for the year ended 30 June 20XX, a summary of significant accounting policies and other explanatory information, and management’s attestation statement[[1]](#footnote-1) thereon (together “the financial statement”). The financial statement has been prepared by management using the cash basis of accounting described in Note X; and
  3. ABC Entity’s compliance with the terms of the grant agreement between ABC Entity and Government Department (name), dated (date), for the year ended 30 June 20XX (the Grant Agreement).

We have:

* 1. Reviewed ABC Entity’s statement of labour costs required under the Grant Agreement; and
  2. Performed limited assurance procedures on ABC Entity’s statement of employee numbers required under the Grant Agreement.

Management’s[[2]](#footnote-2) Responsibility

Management is responsible for:

* 1. The preparation and fair presentation of the financial report and has determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of [identify legislative requirement if any] and is appropriate to meet the needs of the members;
  2. The preparation and fair presentation of the financial statement in accordance with basis of accounting described in Note X; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in accordance with the Grant Agreement;
  3. Compliance with the terms of the Grant Agreement;
  4. The preparation of the statement of employee numbers and labour costs required under the Grant Agreement; and
  5. Such internal control as management determines is necessary to:
     1. Enable the preparation and fair presentation of the financial report, the financial statement and the statement of employee numbers and labour costs that are free from material misstatement, whether due to fraud or error; and
     2. Enable compliance with the terms of the Grant Agreement.

Auditor’s Responsibility

Our responsibilities are:

* 1. To express an opinion, based on our audit, on:
     1. The financial report;
     2. The financial statement; and
     3. ABC Entity’s compliance, in all material respects, with the terms of the Grant Agreement; and
  2. To conclude based on:
     1. Our review procedures, on the statement of labour costs; and
     2. Our limited assurance procedures on the statement of employee numbers.

We conducted our audit of the financial report and the financial statement in accordance with Australian Auditing Standards; our audit of compliance with the Grant Agreement in accordance with ASAE 3100, our review of the statement of labour costs in accordance with ASRE 2405; and our limited assurance procedures on employee numbers in accordance with ASAE 3000. The applicable Standards require that we comply with relevant ethical requirements and plan and perform our work to:

* 1. Obtain reasonable assurance about whether the financial report and the financial statement are free from material misstatement and that ABC Entity has complied, in all material respects, with the terms of the Grant Agreement; and
  2. Obtain limited assurance as to whether anything has come to our attention that causes us to believe that the statements of employee numbers and labour costs are materially misstated.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report and the financial statement and about the entity’s compliance with the Grant Agreement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report and financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial report and the financial statement, and to the entity’s compliance with the Grant Agreement, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used by management, as well as evaluating the overall presentation of the financial report and the financial statement.

A review consists of making enquiries and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the statement of labour costs.

A limited assurance engagement undertaken in respect of the statement of employee numbers, in accordance with ASAE 3000 involves [level of detail about procedures to be determined by the auditor]. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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

*Inherent Limitations* (*include where appropriate under paragraph 80(f) of* ASAE 3100)

Because of the inherent limitations of any [details provided as appropriate by the auditor, refer to limitations in evidence gathering procedures and limitations in the responsible party’s internal control framework], it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the terms of the Grant Agreement [requirements], as an audit is not performed continuously throughout the [period] and the audit procedures performed in respect of compliance with the terms of the Grant Agreement [requirements] are undertaken on a test basis. The audit opinion on compliance with the Grant Agreement expressed in this report has been formed on the above basis.

Opinion

In our opinion,

* 1. the financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of ABC Entity as at 30 June 20XX, and (*of*) its financial performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of [identify legislative requirement if any];
  2. the financial statement presents fairly, in all material respects, the grant income and expenditure of ABC Entity for the year ended 30 June 20XX in accordance with the cash basis of accounting described in Note X and the terms of the Grant Agreement, dated (date), with Government Department (name); and
  3. ABC Entity has complied, in all material respects, with the requirements of the Grant Agreement between the entity and Government Department (name), dated (date), for the year ended 30 June 20XX.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the financial report and Note X to the financial statement, which describe the basis of accounting. The financial report has been prepared for the purpose of fulfilling management’s financial reporting responsibilities under [identify legislative requirement, if any]. The financial statement is prepared to provide information to Government Department (name) in accordance with the Grant Agreement, dated (date). As a result, the financial report and the financial statement may not be suitable for other purposes. [If applicable: Our report is intended solely for ABC Entity and Government Department (name) and should not be distributed to or used by parties other than ABC Entity and Government Department (name).]

Use of Report

This report has been prepared for ABC Entity and Government Department (name) in accordance with the requirements of the Grant Agreement between the entity and Government Department (name), dated (date). We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than ABC Entity and Government Department (name), or for any purpose other than that for which it was prepared.

Conclusions

Based on:

* 1. Our review, which is not an audit, nothing has come to our attention that causes us to believe that the statement of labour costs as at 30 June 20XX is not, in all material respects, fairly presented in accordance with the Grant Agreement dated (date) with Government Department (name); and
  2. The procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the statement of employee numbers as at 30 June 20XX is not prepared, in all material respects, in accordance with the Grant Agreement dated (date) with Government Department (name).

[Auditor’s signature][[3]](#footnote-3)#

[Date of the auditor’s report][[4]](#footnote-4)†

[Auditor’s address]

**Illustration 2(a) and 2(b)**

The secondandthird examples demonstrate how the MSE engagement can be reported upon using two *separate auditor’s reports*. An example of why an auditor might choose this option could be that the entity may be required, or wish, to use its annual financial report and the related auditor’s report for more than one purpose and accordingly, a single-form multi-scope auditor’s report (such as shown in illustration 1 above) may be confusing or an unnecessary distraction for users; or simply may not be permitted.

The entity is a small proprietary company controlled by a foreign company and is required to prepare and lodge an audited financial report with ASIC under the *Corporations Act 2001* (the Act). The company is a non‑reporting entity.

The Regulator does not prescribe the form and content of the auditor’s report; however, requires conformity with the Act which prescribes compliance with the Auditing Standards issued by the AUASB under section 336 of the Act. Accordingly, the Regulator would be unlikely to accept a multi-scope auditor’s report that includes reporting other than that required by the Act. Consequently, the company agrees that the auditor will issue 2 separate reports – one for statutory purposes and one for the (multi-scope) grant acquittal.

The illustrative auditor’s reports have been developed using the requirements and examples provided in the following AUASB Standards:

| MSE Section | AUASB Standard | AUASB Standard Reference |
| --- | --- | --- |
| **Illustrative Report 2(a)** | | |
| *Reasonable Assurance* | | |
| Statutory Annual Financial Report (special purpose) | ASA 800 | [Aus] Illustration 4 |
| **Illustrative Report 2(b)** | | |
| *Reasonable Assurance* | | |
| Statement of Grant Income and Expenditure | ASA 805 | Illustration 2 |
| Compliance with the grant agreement | ASAE 3000 | Section titled “Preparing the Assurance Report” |
| ASAE 3100 | Example 1 |
| *Limited Assurance* | | |
| Statement of labour costs. | ASRE 2405 | Example 1 |
| Statement of employee numbers | ASAE 3000 | Section titled “Preparing the Assurance Report” |

**Illustration** **2(a)**

Auditor’s Report

[Single subject Special Purpose Financial report]

### [Fair Presentation Reporting Framework]

### [Reporting in accordance with ASA 800 – Corporations Act 2001]

[Appropriate addressee]

**Report** **on** **the** **Financial** **Report**[[5]](#footnote-5)†

We have audited the accompanying financial report of ABC Company, which comprises the statement of financial position as at 30 June 20XX, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

*Directors’* *Responsibility* *for* *the* *Financial* *Report*

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

*Auditor’s Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’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 company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of ABC Company, would be in the same terms if given to the directors as at the time of the auditor’s report.

*Opinion*

In our opinion the financial report of ABC Company 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 20XX and of its performance for the year ended on that date; and
  2. complying with Australian Accounting Standards to the extent described in Note X, and the *Corporations Regulations 2001*.

*Basis of Accounting*[[6]](#footnote-6)

Without modifying our opinion, we draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors’ financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose.

**Report on Other Legal and Regulatory Requirements**

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

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

[Date of the auditor’s report][[8]](#footnote-8)†

[Auditor’s address]

**\*\*\***

**Illustration** **2(b)**

Auditor’s Report

[SINGLE-FORM multi-scope]

### [Reporting in accordance with ASA 805, ASAE 3000, ASAE 3100 and ASRE 2405]

[Appropriate addressee]

We have audited:

* 1. The accompanying statement of grant income and expenditure of ABC Company for the year ended 30 June 20XX, a summary of significant accounting policies and other explanatory information, and Management’s attestation statement[[9]](#footnote-9)\* thereon (together “the financial statement”). The financial statement has been prepared by management using the cash basis of accounting described in Note X to the financial statement; and
  2. ABC Company’s compliance with the terms of the grant agreement between ABC Company and Government Department (name), dated (date), for the period ended 30 June 20XX (the Grant Agreement).

We have:

* 1. Reviewed ABC Company’s statement of labour costs required under the Grant Agreement; and
  2. Performed limited assurance procedures on ABC Company’s statement of employee numbers required under the Grant Agreement.

Management’s[[10]](#footnote-10) Responsibility

Management is responsible for:

* 1. The preparation and fair presentation of the financial statement in accordance with the basis of accounting described in Note X; this includes determining that the cash basis of accounting is an acceptable basis for the preparation of the financial statement in accordance with the Grant Agreement;
  2. Compliance with the terms of the Grant Agreement;
  3. The preparation of the statement of employee numbers and labour costs required under the Grant Agreement; and
  4. Such internal control as management determines is necessary to:
     1. Enable the preparation of the financial statement and the statement of employee numbers and labour costs that are free from material misstatement, whether due to fraud or error; and
     2. Enable compliance with the terms of the Grant Agreement.

Auditor’s Responsibility

Our responsibilities are:

* 1. To express an opinion, based on our audit, on:
     1. The financial statement; and
     2. ABC Company’s compliance, in all material respects, with the terms of the Grant Agreement; and
  2. To conclude based on:
     1. Our review procedures, on the statement of labour costs; and
     2. Our limited assurance procedures on the statement of employee numbers.

We conducted our audit of the financial statement in accordance with Australian Auditing Standards; our audit of compliance with the Grant Agreement in accordance with ASAE 3100, our review of the statement of labour costs in accordance with ASRE 2405; and our limited assurance procedures on employee numbers in accordance with ASAE 3000. The applicable Standards require that we comply with relevant ethical requirements and plan and perform our work to:

* 1. Obtain reasonable assurance about whether the financial statement is free from material misstatement and that ABC Company has complied, in all material respects, with the terms of the Grant Agreement; and
  2. Obtain limited assurance as to whether anything has come to our attention that causes us to believe that the statements of employee numbers and labour costs are materially misstated.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement and about the company’s compliance with the Grant Agreement. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company’s preparation and fair presentation of the financial statement, and to the company’s compliance with the Grant Agreement, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used by management, as well as evaluating the overall presentation of the financial statement.

A review consists of making enquiries and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the statement of labour costs.

A limited assurance engagement undertaken in respect of the statement of employee numbers, in accordance with ASAE 3000 involves [level of detail about procedures to be determined by the auditor]. The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

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

*Inherent Limitations* (*include where appropriate under paragraph 80(f) of* ASAE 3100)

Because of the inherent limitations of any [details provided as appropriate by the auditor, refer to limitations in evidence gathering procedures and limitations in the responsible party’s internal control framework], it is possible that fraud, error or non-compliance may occur and not be detected. An audit is not designed to detect all instances of non-compliance with the terms of the Grant Agreement [requirements], as an audit is not performed continuously throughout the [period] and the audit procedures performed in respect of compliance with the terms of the Grant Agreement [requirements] are undertaken on a test basis. The audit opinion on compliance with the Grant Agreement expressed in this report has been formed on the above basis.

Opinion

In our opinion,

* 1. the financial statement presents fairly, in all material respects, the grant income and expenditure of ABC Company for the year ended 30 June 20XX in accordance with the cash basis of accounting described in Note X and the terms of the Grant Agreement, dated (date), with Government Department (name); and
  2. ABC Company has complied, in all material respects, with the requirements of the Grant Agreement between the company and Government Department (name) dated (date), for the year ended 30 June 20XX.

Basis of Accounting and Restriction on Distribution

Without modifying our opinion, we draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to Government Department (name) in accordance with the Grant Agreement, dated (date). As a result, the financial statement may not be suitable for another purpose. [If applicable: Our report is intended solely for ABC Company and Government Department (name) and should not be distributed to or used by parties other than ABC Company and Government Department (name).]

Use of Report

This report has been prepared for ABC Company and Government Department (name) in accordance with the requirements of the Grant Agreement between the company and Government Department (name), dated (date). We disclaim any assumption of responsibility for any reliance on this report to any persons or users other than ABC Company and Government Department (name), or for any purpose other than that for which it was prepared.

Conclusions

Based on:

* 1. Our review, which is not an audit, nothing has come to our attention that causes us to believe that the statement of labour costs as at 30 June 20XX is not, in all material respects, fairly presented in accordance with the Grant Agreement dated (date) with Government Department (name); and
  2. The procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the statement of employee numbers as at 30 June 20XX is not prepared, in all material respects, in accordance with the Grant Agreement dated (date) with Government Department (name).

[Auditor’s signature][[11]](#footnote-11)#

[Date of the auditor’s report][[12]](#footnote-12)†

[Auditor’s address]

**\*\*\***

1. Or other appropriate term. [↑](#footnote-ref-1)
2. Or other term that is appropriate in the context of the legal framework in the particular jurisdiction. [↑](#footnote-ref-2)
3. # The auditor’s report is signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate. [↑](#footnote-ref-3)
4. † The date of the auditor’s report is the date the auditor signs the report. [↑](#footnote-ref-4)
5. † 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-5)
6. The auditor may also restrict distribution and use – see ASA 800 paragraphs 14 and A15. [↑](#footnote-ref-6)
7. # The auditor’s report is signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate. [↑](#footnote-ref-7)
8. † The date of the auditor’s report is the date the auditor signs the report. [↑](#footnote-ref-8)
9. \* Or other term that is appropriate in the circumstances. [↑](#footnote-ref-9)
10. Or other term that is appropriate in the context of the legal framework in the particular jurisdiction, or the grant agreement. [↑](#footnote-ref-10)
11. # The auditor’s report is signed in one or more of the following ways: name of the audit firm, the name of the audit company or the personal name of the auditor as appropriate. [↑](#footnote-ref-11)
12. † The date of the auditor’s report is the date the auditor signs the report. [↑](#footnote-ref-12)