

AUDITOR CONSIDERATIONS - PRESCRIBED AUDITOR’S REPORTS

Introduction

The appendix should be read in conjunction with **section E** of this Guidance Statement.⁵⁶

Section E advocates communication with preparers and users as likely to be the most effective strategy for resolution of issues. When considered appropriate by the auditor, reference to the Department of Finance and Deregulation paper: *Clarification of the terms Audit and Assurance* (Finance Circular 2011/08), may be very helpful in explaining the auditor’s position. See Department of Finance website: <http://www.finance.gov.au/>

Prescribed auditor’s reports vary significantly in both form and content. These differences arise from a number of reasons, including: the circumstances of the engagement, the specific requirements of the party prescribing the auditor’s reports and continued use of historical forms.

In some cases, prescribed reports do not present problems for auditors. However, the auditor may be faced with significant difficulties when required to report in a prescribed way. These difficulties include:

- (a) Inconsistencies with the requirements of the AUASB Standards and the underlying frameworks, terminologies and concepts upon which those Standards are based.
- (b) Requirements that contravene an auditor’s professional obligations and compliance with applicable ethical standards, especially those relating to “independence”.
- (c) Single-form reports that inadequately combine differing subject matters and differing frameworks/criteria.
- (d) Wording that would result in misleading information.
- (e) Wording that does not provide the user with the assurance they seek.

The following Table 8 provides a selection of suggestions that an auditor may consider as well as the matters described in **section E** of this Guidance Statement, particularly regarding communications with preparers and/or users. The suggestions are examples of applying the principles in this Guidance Statement, they are not an exhaustive list of considerations.

Table 8: Selection* of auditor considerations: prescribed auditor’s reports.

Issues	Auditor considerations
The form of the financial report referred to in the prescribed auditor’s report, such as a single income and expenditure statement, is not presented in accordance with Accounting Standards.	Ordinarily, this would not be an issue if the financial report referred to in the auditor’s report: <ul style="list-style-type: none"> • Complies with the requirements governing the preparation of the financial report; and • Is not misleading.
Management or TCWG are not required to sign an attestation, or declaration, about the	<ul style="list-style-type: none"> • Request management to do so, thereby explicitly demonstrating responsibility for the entity’s report(s) to users.

⁵⁶ See paragraphs 65-70.

* Table 8 presents only a selection of auditor considerations – there are likely to be others depending on the circumstances.

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Issues	Auditor considerations
entity's report(s).	<ul style="list-style-type: none"> If necessary, determine the available evidence, including the contents of the engagement letter in relation to management's acceptance of responsibility for the report(s).
The financial report, referred to in the prescribed auditor's report, does not include a statement of significant accounting policies.	<ul style="list-style-type: none"> Ask the preparer to include such policies. If necessary, encourage the preparer to include the basis of accounting (accruals, cash) as a minimum on the basis that it is fundamental to users' understanding of the financial report. If necessary, include the basis of accounting in an "Other Matter" paragraph in the auditor's report.
No reference to materiality.	<ul style="list-style-type: none"> Add relevant wording to the auditor's report (if possible). Consider whether reference to the audit having been conducted in accordance with the AUASB Standards is sufficient <i>implicit</i> indication to address the lack of <i>explicit</i> reference to materiality.
Vague, or no, inclusion of: <ul style="list-style-type: none"> Reference to the subject matter. The responsibilities of management and the auditor. 	<ul style="list-style-type: none"> Add relevant wording to the auditor's report. When necessary, include relevant wording in an "Other Matter" paragraph in the auditor's report.
Inability to include, where appropriate, modifications to the opinion and/or an "Emphasis of Matter" paragraph or an "Other Matter" paragraph.	See section E (Ref: paragraphs 65 – 70).
Statement of auditor's credentials, including independence.	<ul style="list-style-type: none"> Ordinarily, there should be no issues as such statements are factual and merely serve to confirm the auditor's qualifications to perform the engagement.
Use of terms like "certify" and "correct" which denote <i>certainty</i> .	<ul style="list-style-type: none"> When possible, amend the prescribed report Inform the preparer and/or user that <i>certainty</i> is not possible in an assurance engagement where "testing" procedures are adopted. If nevertheless <i>certainty</i> is required, then the engagement may be able to be classified, and understood, as an agreed-upon procedure engagement which will necessitate additional work effort (checking <i>entire</i> populations to achieve <i>certainty</i>) which in turn may attract additional fees.
Opinions, or statements, on an entity's solvency.	<ul style="list-style-type: none"> Where such opinions or statements relate to, and clearly communicate, a <i>past</i> point in time (as at...), the prescribed report would ordinarily not be misleading so long as the

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Issues	Auditor considerations
	<p>prescribed wording does not imply solvency will continue into the future.</p> <ul style="list-style-type: none">• See section B (Ref: paragraphs 42 –47) on subject matters unable to be assured.