Appendix 8

(Ref: Para. 100 and 126)

Example auditor’s review report - MSE

(other reporting responsibilities)

**INTRODUCTION**

###### The following example auditor’s *review* report illustrates how other reporting responsibilities can be included in the auditor’s report.

###### The example is to be used as a guide only and will need to be adapted according to the engagement requirements and the circumstances.

The entity is a small not-for-profitentity that is required to meet the financial reporting requirements of the applicable Act and Regulations. The entity is required to prepare, and lodge with the Regulator, an annual financial report together with the related independent auditor’s *review* report. The Regulator accepts general purpose or special purpose financial reports – the entity chooses the latter.

The example is a single-form multi-scope auditor’s *review* report that addresses two subject matters:

1. Review of an annual special purpose financial report in accordance with the applicable Act and Regulations.
	1. Although *not* required to review and conclude on the entity’s compliance with the regulations, the auditor is required, by the regulations, to report any, and all, non‑compliance with particular specified regulations.
	2. This reporting requirement does not mean the auditor needs to set materiality for the review of the financial report at zero in order to check 100% compliance with the specified regulations. The requirement means the auditor is to report any and all non‑compliance with regulations *that came to the auditor’s attention during the course of the review* (or audit as the case may be). [See further discussion at paragraphs 98-99 of this Guidance Statement]

In this example, the entity did not comply with two separate specified regulations, the effects of which on the auditor’s review report are:

| Non-compliance with specified regulations | Effect on auditor’s review report | Discharge of regulation requirement to report non-compliance |
| --- | --- | --- |
| Failing to provide the auditor with all information, explanation and assistance necessary for the conduct of the review.This failure relates to a material component of inventories. | As the auditor has been unable to obtain the information that the auditor required, a limitation on scope exists and accordingly results in a qualification of the auditor’s conclusion. | The auditor discharges the requirement in the regulations to report the non-compliance by way of appropriate information in the “Basis for Qualified Conclusion” paragraph. |
| Failing to maintain a particular record required by the regulations.This failure relates to a record that is not associated with the financial report, was inadvertent, was detected by the entity after only 2 days, was properly and immediately corrected and was reported to the regulator by the entity. | Due to its nature, this non-compliance with regulations does not affect the auditor’s conclusion on the annual financial report. | The auditor discharges the requirement in the regulations to report the non-compliance by way of appropriate information in the “Report on Other Legal and Regulatory Requirements” paragraph |

1. A grant acquittal – statement of grant income and expenditure (only).

The illustrative auditor’s report has been developed using the principles illustrated in Appendix 6 and the requirements of ASRE 2400.

Example Auditor’s review Report

[SINGLE-FORM multi-scope]

**[Special Purpose Financial Report – Qualified Conclusion (insufficient evidence) Grant Acquittal (Statement of Grant Income and Expenditure), and Other Reporting Responsibilities]**

**(Fair Presentation Framework)**

[Appropriate Addressee]

**Report on the Financial Report and the Statement of Grant Income and Expenditure**[[1]](#footnote-1)

We have reviewed:

* 1. The accompanying financial report, being a special purpose financial report of [name of 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 [period] ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and management’s declaration; and
	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[[2]](#footnote-2)\* thereon (together “the financial statement”). The financial statement has been prepared by management in accordance with a cash basis of accounting described in Note X to the financial statement and the terms of the grant agreement dated (date) with Government Agency (name).

Management’s 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], [and the needs of the members (or other appropriate terms)];
	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; and
	3. Such internal control as management determines is necessary to enable the preparation and fair presentation of the financial report and the financial statement that are free from material misstatement, whether due to fraud or error.

*Auditor’s Responsibilities*

Our responsibilities are to conclude, based on our review procedures, on the financial report and the statement of grant income and expenditure. We conducted our review in accordance with applicable Standards on Review Engagements which require us to conclude whether anything has come to our attention that causes us to believe that the financial report, taken as a whole, or the financial statement, are not prepared, in all material respects, in accordance with the applicable financial reporting framework. The Standards also require us to comply with relevant ethical requirements.

A review of a financial report and a financial statement in accordance with the Standards on Review Engagements is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and applying analytical procedures, and evaluates the evidence obtained.

A review is substantially less in scope than an audit conducted in accordance with Australian 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.

Basis for Qualified Conclusion

We were not given all information, explanation and assistance necessary by [name of entity] for the conduct of the review of the financial report in relation to a material component of inventories. This is a deficiency in compliance with section XX of the XX Act/Regulations. We are unable to adopt alternative procedures regarding [identify the component of inventories] included in the statement of financial position at a total amount of xxx as at 30 June 20XX. Accordingly, we were unable to conclude on this inventory balance or determine whether any adjustments might have been necessary.

Qualified Conclusion

Based on our review, which is not an audit, with the exception of the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that:

* 1. The financial report of [name of entity] does not satisfy the requirements of section XX of the XX Act/Regulations, including:
		1. presenting fairly the entity’s financial position as at 30 June 20XX and of its financial performance and cash flows for the year [period] ended on that date; and
		2. complying with Australian Accounting Standards to the extent described in Note X, and section XX of the XX Act/Regulations.
	2. The financial statement does not present fairly the grant income and expenditure for the period ended 30 June XX in accordance with the basis of accounting described in Note X and the terms of the grant agreement dated (date) with Government Department (name)

Basis of Accounting

Without further modifying our conclusion, we draw attention to:

* 1. Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the responsible entity’s financial reporting responsibilities under the Act. As a result, the financial report may not be suitable for another purpose.
	2. Note X to the financial statement, which describes the basis of accounting. The financial statement has been prepared for the purpose of fulfilling the entity’s reporting responsibilities under the grant agreement with Government Department (name), dated (date), for the year ended 30 June 20XX. As a result, the financial statement may not be suitable for another purpose.

**Report on Other Legal and Regulatory Requirements**

In accordance with the requirements of section XX of the Act, we are required to describe any deficiency, failure or shortcoming in respect of the matters referred to in paragraph XX of the Act/Regulation that came to our attention during the course of our review of the financial report.

In addition to the matter relating to inventory referred to in the Basis for Qualified Conclusion paragraph, our review on the financial report is not modified in respect of the following matter(s) because, in our conclusion, it [they] has [have] been appropriately addressed by [name of registered entity] and is [are] not considered material in the context of the review of the financial report as a whole:

* 1. [Name of entity] failed to keep [name of other record] as required by section XX of the Act/Regulation for the period 1 July 2013 to 2 July 2013 inclusive.]
	2. [Details of other non-compliance, as applicable].

[Auditor’s signature]

[Date of the auditor’s review report]

[Auditor’s address]

1. The sub-title “Report on the Financial Report and the Statement of Grant Income and Expenditure” 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 other appropriate term. [↑](#footnote-ref-2)