Appendix 1

(Ref: Para. A8)

#### Illustrations of Auditors’ Reports with Modified Opinions

* Illustration 1: An auditor’s report containing a qualified opinion due to the inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances—the financial report is not prepared under the *Corporations Act 2001*.
* Illustration 2: [Example Auditor’s Report deleted by the AUASB—not applicable in Australia.]
* [Aus] Illustration 2A: An auditor’s report containing a qualified opinion due to the inability of the auditor to obtain sufficient appropriate audit evidence regarding opening balances—the financial report is prepared under the *Corporations Act 2001*.

Note: Throughout these illustrative auditor’s reports, the *Opinion* section has been positioned first in accordance with ASA 700, and the *Basis for Opinion* section is positioned immediately after the Opinion section. Also, the first and last sentence that was included in the extant auditor’s responsibilities section is now subsumed as part of the new *Basis for Opinion* section.

**Example Auditor’s Report   
Qualified Opinion—Jurisdiction Prohibits a Qualified Opinion on Performance and Cash Flows and an Unmodified Opinion on Financial Position**

**(Fair Presentation Framework)**

Illustration 1:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

* Audit of the financial report of an entity other than a listed entity. The audit is not a group audit (i.e., ASA 600[[1]](#footnote-1) 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 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.[[2]](#footnote-2)
* The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.
* The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity’s financial performance and cash flows.[[3]](#footnote-3)
* The financial position at year end is fairly presented.
* In this jurisdiction, law and regulation prohibit the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.
* 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.[[4]](#footnote-4)
* The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.[[5]](#footnote-5)
* Corresponding figures are presented, and the prior period’s financial report was audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and has decided to do so.
* Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
* The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.[[6]](#footnote-6)\*
* In addition to the audit of the financial report, the auditor has other reporting responsibilities required under local law.

INDEPENDENT AUDITOR’S REPORT

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

###### Report on the Audit of the Financial Report[[7]](#footnote-7)

**Qualified Opinion**

We have audited 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 material accounting policy information, and the declaration by those charged with governance.[[8]](#footnote-8)\*

In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* section of our report, 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 30 June 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

**Basis for Qualified Opinion**

We were appointed as auditors of the Entity on 31 December 20X0 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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 qualified opinion.

**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 ASA 720.[[9]](#footnote-9)#*]

**Other Matter**

The financial report of the Entity for the year ended 30 June 20X0 was audited by another auditor who expressed an unmodified opinion on the financial report on 30 September 20X0.

**Responsibilities of Management and Those Charged with Governance for the Financial Report**[[10]](#footnote-10)

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

[*Signature*][[11]](#footnote-11)\*

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

[*Auditor’s address*]

**Example Auditor’s Report   
An Opinion that is Qualified Regarding the Financial Performance and Cash Flows and Unmodified Regarding Financial Position**

Illustration 2:

* [Example Auditor’s Report deleted by the AUASB]—not applicable in Australia.
* Refer ASA 200 *Overall* *Objectives* *of* *the* *Independent* *Auditor* *and* *the* *Conduct* *of* *an* *Audit* *in* *Accordance* *with* *Australian* *Auditing* *Standards*, paragraph 11(a).
* The *Corporation* *Act 2001* does not provide for split opinions.[[13]](#footnote-13)\*

**Example Auditor’s Report   
Qualified Opinion—Jurisdiction Prohibits a Qualified Opinion on Performance and Cash Flows and an Unmodified Opinion on Financial Position  
*Corporations Act 2001***

**(Fair Presentation Framework)**

[Aus] Illustration 2A:

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[[14]](#footnote-14) 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.[[15]](#footnote-15)
* The auditor did not observe the counting of the physical inventory at the beginning of the current period and was unable to obtain sufficient appropriate audit evidence regarding the opening balances of inventory.
* The possible effects of the inability to obtain sufficient appropriate audit evidence regarding opening balances of inventory are deemed to be material but not pervasive to the entity’s financial performance and cash flows.
* The financial position at year end is fairly presented.
* In this jurisdiction, law and regulation prohibit the auditor from giving an opinion which is qualified regarding the financial performance and cash flows and unmodified regarding financial position.
* 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.[[16]](#footnote-16)
* Key audit matters have been communicated in accordance with ASA 701.[[17]](#footnote-17)
* Corresponding figures are presented, and the prior period’s financial report was audited by a predecessor auditor. The auditor is not prohibited by law or regulation from referring to the predecessor auditor’s report on the corresponding figures and has decided to do so.
* The auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.[[18]](#footnote-18)\*
* 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**[[19]](#footnote-19)\*

**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 material accounting policy information, and the directors’ declaration.

In our opinion, except for the possible 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**

We were appointed as auditors of the company on 31 December 20X0 and thus did not observe the counting of the physical inventories at the beginning of the year. We were unable to satisfy ourselves by alternative means concerning inventory quantities held at 30 June 20X0. Since opening inventories enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the income for the year reported in the statement of comprehensive income and the net cash flows from operating activities reported in the statement of cash flows.

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 the Company would be in the same terms if given to the directors as at the time of this auditor’s report.[[20]](#footnote-20)#

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

**Key Audit Matters**

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

**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 ASA 720.*[[21]](#footnote-21)†]

**Other Matter**

The financial report of the Company for the year ended 30 June 20X0 was audited by another auditor who expressed an unmodified opinion on the financial report on 30 September 20X0.

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

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

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

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

**Report on the Remuneration Report**[[22]](#footnote-22)\*

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

[*Auditor’s name and signature*][[23]](#footnote-23)#

[*Name of Firm*]

[*Date of the auditor’s report]*[[24]](#footnote-24)§

[*Auditor’s address*]

1. See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*. [↑](#footnote-ref-1)
2. See ASA 210 *Agreeing the Terms of Audit Engagements*. [↑](#footnote-ref-2)
3. [Footnote deleted by the AUASB—not applicable in Australia.] [↑](#footnote-ref-3)
4. See ASA 570 *Going* *Concern*. [↑](#footnote-ref-4)
5. See ASA 701 *Communicating* *Key* *Audit* *Matters* *in* *the* *Independent* *Auditor’s* *Report*. [↑](#footnote-ref-5)
6. \* See ASA 720 *The* *Auditor’s* *Responsibilities* *Relating* *to* *Other* *Information*. [↑](#footnote-ref-6)
7. 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-7)
8. \* Or other appropriate assertion by management or those charged with governance. [↑](#footnote-ref-8)
9. # 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. See ASA 720, Appendix 3, [Aus] Illustration 6A, for circumstances where the matter giving rise to a qualified opinion impacts on the conclusion provided on the other information. [↑](#footnote-ref-9)
10. 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-10)
11. \* 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-11)
12. # The date of the auditor’s report is the date the auditor signs the report. [↑](#footnote-ref-12)
13. \* [Footnotes deleted by the AUASB. Refer text box above.] [↑](#footnote-ref-13)
14. See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*. [↑](#footnote-ref-14)
15. See ASA 210 *Agreeing the Terms of Audit Engagements*. [↑](#footnote-ref-15)
16. See ASA 570 *Going* *Concern*. [↑](#footnote-ref-16)
17. See ASA 701 *Communicating* *Key* *Audit* *Matters* *in* *the* *Independent* *Auditor’s* *Report*. [↑](#footnote-ref-17)
18. \* See ASA 720 *The* *Auditor’s* *Responsibilities* *Relating* *to* *Other* *Information*. [↑](#footnote-ref-18)
19. \* 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-19)
20. # 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. [↑](#footnote-ref-20)
21. † 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. See ASA 720, Appendix 3, [Aus] Illustration 6A, for circumstances where the matter giving rise to a qualified opinion impacts on the conclusion provided on the other information. [↑](#footnote-ref-21)
22. \* The Report on the Remuneration Report is an example of “other reporting responsibilities”. Any additional “other reporting responsibilities” that the auditor needs to address, will also be included in a separate section of the auditor’s report following the opinion paragraph on the financial report. Under paragraph 38 of ASA 700, the sub‑title “Report on Other Legal and Regulatory Requirements” or other sub‑title as appropriate to the section, is used. [↑](#footnote-ref-22)
23. # The auditor’s report needs to be 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-23)
24. § The date of the auditor’s report is the date the auditor signs the report. [↑](#footnote-ref-24)