Appendix 1

(Ref: Para. A42)

##### Illustration 1: [Deleted by the AUASB] Refer [Aus] Illustration 1A

##### [Aus] Illustration 1A: Illustration of Independent Auditor’s Report When the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion – General Purpose Financial Report, Qualified Opinion under the *Corporations Act 2001*

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| For purposes of this illustrative auditor’s report, the following circumstances are assumed:* The audit is a group audit of a listed company with subsidiaries (i.e., ASA 600 applies).
* The consolidated financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework). The financial report is prepared under the *Corporations Act 2001*.
* The terms of the audit engagement reflect the description of the directors’ responsibility for the consolidated financial report in ASA 210.
* The group auditor is unable to obtain sufficient appropriate audit evidence relating to a component accounted for by the equity method (recognised at $15 million in the statement of financial position, which reflects total assets of $60 million) because the group auditor did not have access to the accounting records, management, or auditor of the component.
* The group auditor has read the audited financial report of the component as at 31 December, 20X1, including the auditor’s report thereon, and considered related financial information kept by group management in relation to the component.
* In the group engagement partner’s judgement, the effect on the group financial report of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.[[1]](#footnote-2)\*
* The APESB Code comprises all of the relevant ethical requirements that apply to the audit.
* 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.
* Key audit matters have been communicated in accordance with ASA 701.[[2]](#footnote-3)#
* The auditor has obtained no other information prior to the date of the auditor's report but expects to obtain the other information after the date of the auditor’s report.
* In addition to the audit of the consolidated financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.
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###### INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

###### Report on the Audit of the Consolidated Financial Report[[3]](#footnote-4)†

###### Qualified Opinion

We have audited the consolidated financial report of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial report, including a summary of significant accounting policies, 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 consolidated financial report of the Group is in accordance with the *Corporations Act 2001*, including:

1. Giving a true and fair view of, the consolidated financial position of the Group as at 31 December, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended; and
2. Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

###### Basis for Qualified Opinion

ABC Company’s investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at $15 million on the consolidated statement of financial position as at 31 December, 20X1, and ABC’s share of XYZ’s net income of $1 million is included in the consolidated statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC’s investment in XYZ as at 31 December, 20X1 and ABC’s share of XYZ’s net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Consolidated Financial Report* section of our report. We are independent of the Group 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), and we have 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.[[4]](#footnote-5)§

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 2A 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[[5]](#footnote-6)\* – – see [Aus] Illustration 4A in Appendix 3 of ASA 720.]

###### Responsibilities of the Directors for the Consolidated Financial Report

[Reporting in accordance with ASA 700[[6]](#footnote-7)# – see [Aus] Illustration 2A in the Appendix of ASA 700.]

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

[Reporting in accordance with ASA 700 – see [Aus} Illustration 2A in the Appendix of ASA 700..]

###### Report on the Remuneration Report[[7]](#footnote-8)†

[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]

[Auditor’s name and signature][[8]](#footnote-9)§

[Name of Firm]

[Auditor Address]

[Date]

1. \* If, in the group engagement partner’s judgment, the effect on the group financial report of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with ASA 705. [↑](#footnote-ref-2)
2. # See ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report*. [↑](#footnote-ref-3)
3. † The sub-title, “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title, “Report on Other Legal and Regulatory Requirements” is not applicable. [↑](#footnote-ref-4)
4. § 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-5)
5. \* See ASA 720 *The Auditor’s Responsibilities Relating to Other Information*. [↑](#footnote-ref-6)
6. # See ASA 700 *Forming an Opinion and Reporting on a Financial Report*. [↑](#footnote-ref-7)
7. † The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—see ASA 700, paragraphs 43-45. Any additional “Other Reporting Responsibilities” that the auditor needs to address, will also be included in a separate section of the auditor’s report. Under paragraph 43 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-8)
8. § The auditor is required, under the *Corporations Act 2001*, to sign the auditor’s report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable. [↑](#footnote-ref-9)