

ASA 2013-1
(March 2013)

Auditing Standard ASA 2013-1
Amending Standard to ASRE 2415 Review
of a Financial Report – Company Limited
by Guarantee

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing ASA 2013-1

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2013-1 *Amending Standard to ASRE 2415 Review of a Financial Report – Company Limited by Guarantee* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Auditing Standard Amended by ASA 2013-1

This Auditing Standard makes amendments to the following Auditing Standard:

ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*

The amendments are consequential and arise from:

- The issuance, in December 2012, of the *Australian Charities and Not-for-Profit Commission Act 2012 (Cth)* (the ACNC Act) by the Australian Government.

Under its mandate, the AUASB is required to maintain the quality and relevance of the Auditing Standards. Accordingly, amendments to existing Auditing Standards are made whenever necessary to recognise any applicable new or revised legislation or regulation.

- Changes made by the International Auditing and Assurance Standards Board (IAASB) to ISRE 2400 *Engagements to Review Financial Statements*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of its standards and to make appropriate consequential amendments to the Australian Auditing Standards.

Main Features

This Auditing Standard makes amendments to the Auditing Standard listed above.

The amendments comprise:

- Expansion of the scope of ASRE 2415 to incorporate entities reporting under the ACNC Act and other applicable legislation or regulation . As the purpose of ASRE 2415 is to direct auditors and assurance practitioners to the appropriate operational review standard (ASRE 2400 and ASRE 2410), it is the appropriate vehicle to direct reviews under the ACNC Act and other applicable legislation or regulation.

As the requirements of ASRE 2415 are administrative in nature, the amendments are editorial and do not impact on the practical application requirements of performing reviews under the operational review standards (ASRE 2400 and ASRE 2410).

- Changes to references arising from the issuance of revised Standard on Review Engagements, ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, together with other minor editorial amendments.

These changes are editorial in nature and do not impact requirements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2013-1- *Amending Standard to ASRE 2415 Review of a Financial Report – Company Limited by Guarantee* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: 26 March 2013

M H Kelsall
Chairman - AUASB

AUDITING STANDARD ASA 2013-1

Amending Standard to ASRE 2415 Review of a Financial Report – Company Limited by Guarantee

Application

1. This Auditing Standard applies to:
 - (a) a company limited by guarantee in accordance with the *Corporations Act 2001* (the Act); or
 - (b) an entity required to report under the *Australian Charities and Not-for-Profit Commission Act 2012 (Cth)* (the ACNC Act); or
 - (c) an entity required to report under other applicable legislation or regulation.

Operative Date

2. This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2013. Early adoption is permitted.

Introduction

Scope of this Auditing Standard

3. This Auditing Standard makes amendments to Australian Auditing Standard, ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*. The amendments are consequential and arise from the issuance of:
 - the *Australian Charities and Not-for-Profit Commission Act 2012 (Cth)*¹ (the ACNC Act); and
 - revised Standard on Review Engagements, ASRE 2400 *Review of a Financial Report by an Assurance Practitioner Who is Not the Auditor of the Entity*.²

The amendments to ASRE 2415 have no impact on the requirements contained in other Standards on Review Engagements.

4. This Auditing Standard uses underlining, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this Auditing Standard do not include that underlining, striking out or other typographical material.

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standard on Review Engagements:

ASRE 2415 Review of a Financial Report – Company Limited by Guarantee

¹ Issued in December 2012.

² Issued in March 2013.

Definition

6. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standard

Amendments to ASRE 2415

7. The title of the standard is amended to read as follows:

*Auditing Standard on Review Engagements ASRE 2415 Review of a Financial Report—;
Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other
Applicable Legislation or Regulation.*

8. Paragraph 1 is amended to read as follows:

This Auditing Standard on Review Engagements applies to a review of a financial report for a financial year for:

- (a) a company limited by guarantee in accordance with the *Corporations Act 2001* (the Act); or
- (b) an entity required to report under the *Australian Charities and Not-for-Profit Commission Act 2012 (Cth)* (the ACNC Act); or
- (c) an entity required to report under other applicable legislation or regulation.

9. Paragraph 3 is amended to read as follows:

This ~~transitional~~ Auditing Standard on Review Engagements deals with the responsibilities of the auditor to review the financial report of:

- (a) a company limited by guarantee that has elected, under section 301(3) of the Act, to have its financial report reviewed instead of audited. It also deals with the form and content of the review report, which is based on the example review reports contained within existing review standards.
- (b) An entity that has elected, under the ACNC Act, to have its financial report reviewed instead of audited.
- (c) An entity required to report under other applicable legislation or regulation.

10. Paragraph 4 is amended to read as follows:

This Auditing Standard on Review Engagements does not apply to the review of a half-year financial report under the Act. Refer ~~ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity or ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, as applicable.~~

11. Paragraph 5 is amended to read as follows:

The objective of the auditor, is to plan and perform the review of a financial report prepared by a company limited by guarantee or an entity reporting under the ACNC Act or under other applicable legislation or regulation, to enable the auditor to express a conclusion whether, on the basis of the review, anything has come to the auditor's attention that causes the auditor to believe that the financial report is not prepared, in all material respects, in accordance with the applicable financial reporting framework.

12. Paragraph 7 is amended to read as follows:

The term “auditor” as used in this Auditing Standard on Review Engagements, refers to a registered company auditor or an individual:

- (a) taken to be a registered company auditor under section 324BE of the Act; and/or
- (b) permitted under the ACNC Act to conduct reviews of a financial report; and/or
- (c) permitted to conduct reviews of a financial report under other applicable legislation or regulation.

13. The sub-heading directly above paragraph 9 is amended to read as follows:

Company or Entity Previously Audited

14. Paragraph 9 is amended to read as follows:

When a company limited by guarantee, or an entity reporting under the ACNC Act, or an entity reporting under other applicable legislation or regulation, elects to have its financial report reviewed instead of audited, an auditor who has conducted an audit of the previous financial report of the company or entity in accordance with ~~the Act and~~ the Australian Auditing Standards, shall, in the first financial reporting period under ~~the~~ revised legislation, conduct the review in accordance with: ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity as amended.² (Ref: Para. A1)

- (a) ~~ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity; or~~
- (b) ~~ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity as applicable.~~ (Ref: Para. A1)

15. Footnote 2 attached to paragraph 9 is amended to read as follows:

² See ASRE 2410 Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity (Compiled), issued August 2008. For financial reporting periods commencing on or after 1 January 2010, see ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, issued October 2009, as amended.

16. Paragraph 10 is amended to read as follows:

When a company limited by guarantee, or an entity reporting under the ACNC Act, or an entity reporting under other applicable legislation or regulation, elects to have its financial report reviewed instead of audited, an auditor who has not conducted an audit of the previous financial report of the company or entity in accordance with ~~the Act and~~ the Australian Auditing Standards, shall conduct the review in accordance with ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity.³ (Ref: Para. A2)

17. Paragraph 11 is amended to read as follows:

For purposes of this Auditing Standard, requirements under ASRE 2400 (issued August 2008) are identified in **bold-type** in that standard.⁴

18. Footnote 3 attached to paragraph 10 is amended to read as follows:

³ See ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity, issued August 2008. For financial reporting periods commencing on or after 1 July 2013, see ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity, (issued March 2013).

19. Footnote 5 attached to paragraph 12 is amended to read as follows:

⁵ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*, as amended.

20. Footnote 6 attached to paragraph 13 is amended to read as follows:

⁶ See ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*, as amended, which may be helpful in determining quality control procedures applicable to a review engagement.

21. The sub-heading directly above paragraph A1 is amended to read as follows:

Company or Entity Previously Audited

22. Paragraph A1 is amended to read as follows:

At the time of ~~the~~ amendments to the Act there will be companies limited by guarantee or entities reporting under the ACNC Act or other applicable legislation or regulation that have been in existence for some time and will have appointed an auditor. Where that auditor has conducted an audit of the company's or entity's previous financial report, that auditor will have obtained an understanding of the company or entity and its environment, including the company's or entity's internal control, in accordance with the Australian Auditing Standards. Accordingly, the auditor conducting a review, does so in accordance with ASRE 2410. ASRE 2410 is to be read in conjunction with ~~ASA 100 Preamble to AUASB Standards or~~ ASA 101 *Preamble to Australian Auditing Standards*, as amended ~~as applicable~~.

23. Footnote 7 attached to paragraph A1 is amended to read as follows:

⁷ ~~See ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* (Compiled), issued August 2008.~~ For financial reporting periods commencing on or after 1 January 2010, refer ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, (issued October 2009), as amended.

24. The sub-heading directly above paragraph A2 is amended to read as follows:

Company or Entity Not Previously Audited by the Auditor

25. Paragraph A2 is amended to read as follows:

A company limited by guarantee, and entities reporting under the ACNC Act, or other applicable legislation or regulation, may engage an auditor, who has not conducted an audit of the company's or entity's previous financial report, to conduct a review of its financial report. In such cases, that auditor will not have recently obtained an understanding of the company or entity and its environment, including the company's or entity's internal control, through compliance with Australian Auditing Standards. Accordingly, that auditor conducts the review in accordance with ASRE 2400. ASRE 2400 is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*.

26. Footnote 8 attached to paragraph A2 is amended to read as follows:

⁸ See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, (issued August 2008). For financial reporting periods commencing on or after 1 July 2013, see ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, (issued March 2013).

27. Paragraph A3 is amended to read as follows:

When complying with the fundamental ethical principles in accordance with ASRE 2400, an auditor with no previous engagement experience with the company or entity, pays particular attention to the principles of professional competence and due care.

Amendments to the Example Auditor's Report – Appendix 1

28. A new introductory paragraph follows the first paragraph of Appendix 1. It reads as follows:

The example auditor's review report is to be adapted as necessary for reviews under the ACNC Act or other applicable legislation or regulation.

29. The first line of the first paragraph immediately following the sub heading “**Report on the Financial Report**” is amended to read as follows:

We [I]⁹ have reviewed the accompanying financial report of [name of company/entity],

30. Footnote 9 attached to the first paragraph immediately following the sub heading “**Report on the Financial Report**” is amended to read as follows:

When an individual is taken to be a registered company auditor under section 324BE of the *Corporations Act 2001*, the auditor's report is to be written in singular form.

31. The Directors' responsibility paragraph, and the sub-heading, are amended to read as follows:

Directors' /Board of Management's¹¹ Responsibility for the Financial Report

The directors/board of management of the company/entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001/ACNC Act*¹² and for such internal control as the directors/board of management determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

(New Footnote) ¹¹ Or other appropriate term.

(New Footnote) ¹² Or other applicable legislation or regulation.

32. The Auditor's responsibility paragraph is amended to read as follows:

Our [My] responsibility is to express a conclusion on the financial report based on our [my] review. We [I] conducted our [my] review in accordance with Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation*, in order to state whether, on the basis of the procedures described, we [I] have become aware of any matter that makes us [me] believe that the financial report is not in accordance with the *Corporations Act 2001/ACNC Act*¹³ including: giving a true and fair view of the company's/entity's financial position as at 30 June 20XX and its performance for the year ended on that date; and complying with the Australian Accounting Standards [and *Corporations Regulations 2001*]. ASRE 2415 requires that we [I] comply with the ethical requirements relevant to the review of the financial report.

(New Footnote) ¹³ Or other applicable legislation or regulation.

33. The Independence sub-heading and paragraph are amended by applying [square] brackets to the sub-heading and paragraph end.

34. Footnote * at the end of the Independence paragraph is renumbered as 14 and is amended to read as follows:

¹⁴ 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. A Statement of Independence is required under the *Corporations Act 2001*.

35. A new footnote number 15 is attached to the Conclusion sub-heading:

(New Footnote) ¹⁵ Form of conclusion will depend on applicable legislation or regulation.

36. The Conclusion paragraph is amended to read as follows:

Based on our [my] review, which is not an audit, we [I] have not become aware of any matter that makes us [me] believe that the financial report of [name of company] is not in accordance with the *Corporations Act 2001*¹⁶ including:

- (a) 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
- (b) complying with Australian Accounting Standards [and *Corporations Regulations 2001*].

(New Footnote) ¹⁶ Or ACNC Act or other applicable legislation or regulation.

37. Footnotes 11 and 12 are renumber to 17 and 18 respectively.

* * *

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).