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Bachelor of Commerce (B2001) | Level 3 • Part B Major | Monash University

Auditing and assurance

Course Code: ACC3600 • Module 4 Notes

Module 4: Completing the Audit, Auditor Reporting & Emerging Issues

Chapter 1: Subsequent Events & Going Concern Evaluation

1.1 Subsequent Events: Adjusting vs Non-Adjusting Events (ASA 560 & AASB 110)

Between the balance sheet date (e.g. 30 June) and the date the financial report is authorized for issue, significant commercial, financial, and legal events occur that may directly impact the numbers or disclosures reported in the financial statements. ASA 560 (Subsequent Events) aligns with AASB 110 (Events after the Reporting Period) to classify subsequent events into two foundational legal categories:

- **Type 1 Events (Adjusting Events):** Events that provide evidence of conditions that *existed at the end of the reporting period*. Under AASB 110, an entity must adjust the amounts recognized in its financial statements (including related disclosures) to reflect Type 1 subsequent events. Typical Australian commercial examples include:
  1. The insolvency of a major commercial customer occurring in July that confirms a balance sheet trade receivable carried at 30 June was uncollectible, requiring an adjustment to the allowance for expected credit losses under AASB 9.
  2. The settlement of a pre-existing court dispute in August for an amount differing from the legal provision recorded at 30 June under AASB 137.
  3. The subsequent sale of warehouse inventory in July at prices substantially below recorded unit cost, confirming that net realizable value at 30 June was below cost.
- **Type 2 Events (Non-Adjusting Events):** Events that are indicative of conditions that *arose after the end of the reporting period*. These events do not relate to conditions existing at the balance sheet date; consequently, no adjustment is made to recorded balance sheet numbers. However, if the event is material such that non-disclosure would influence user decisions, the entity must disclose in the financial statement notes the nature of the event and an estimate of its financial effect (or a statement that such an estimate cannot be made). Examples include:
  1. The destruction of a major manufacturing plant or warehouse by fire or flood occurring in August.
  2. A major business acquisition, disposal of a core strategic subsidiary, or announcement of a capital restructuring post-year-end.
  3. A dramatic collapse in market stock prices, commodity prices, or foreign exchange rates occurring after the balance sheet date.

1.2 Auditor Responsibilities Across Chronological Intervals

ASA 560 establishes distinct legal and professional responsibilities across three chronological intervals:

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Chronological Interval	Auditor Duty & Action Required	Key Procedures Executed
Period 1: Balance Date to Auditor's Report Date	**Active Duty:** The auditor has an affirmative statutory responsibility to design and perform audit procedures specifically to identify subsequent events that require adjustment or disclosure.	Read latest interim management accounts; read minutes of board of directors and audit committee meetings; inquire of client legal counsel regarding pending litigation; inspect post-balance cash receipts and disbursements.
Period 2: Auditor's Report Date to Financial Report Issue Date	**Passive Duty:** The auditor has no obligation to perform active audit procedures. However, if a fact becomes known that, had it been known at the report date, might have caused the auditor to amend the report, the auditor must act.	Discuss matter with management and directors; determine if financial report needs amendment; if management amends, audit the amendment and issue a new or dual-dated auditor's report; if management refuses to amend, notify directors and prevent reliance under s. 311 of the Corporations Act 2001.
Period 3: After Financial Report Has Been Issued to the Public	**Passive Duty:** The financial statements have been published. If a material fact existing at the report date emerges, the auditor must discuss the matter with governance.	Determine whether revised financial statements are required; ensure management issues revised accounts with expanded explanatory notes; issue an amended auditor's report with an Emphasis of Matter paragraph under ASA 706.

1.3 The Going Concern Assessment (ASA 570)

The going concern basis of accounting is a fundamental financial reporting assumption. Under this assumption, an entity is viewed as continuing in operational business for the foreseeable future (defined in ASA 570 as a period of at least 12 months from the date of the financial report). Assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of commercial operations, without the necessity or intention of liquidation or entering administration.

Under ASA 570, the auditor must evaluate management's assessment of going concern, remaining alert throughout the audit to operational, financial, and regulatory indicators of going concern stress:

- **Financial Indicators:** Net liability or net current liability position; substantial operating losses; recurring negative cash flows from operating activities; adverse key financial ratios; inability to comply with terms of bank loan agreements (debt covenant default); denial of trade credit by critical suppliers; and inability to obtain necessary financing for capital development.
- **Operating Indicators:** Management intentions to liquidate the entity or cease operations; loss of key executive leadership without replacement; loss of a major market, key franchise, license, or principal customer (e.g. loss of an anchor retail contract); and severe supply chain collapse.
- **Other Regulatory & External Indicators:** Non-compliance with statutory capital adequacy requirements (e.g. APRA prudential standards for ADIs); pending legal or regulatory proceedings that may result in catastrophic damages that the entity cannot satisfy; and adverse changes in legislation or government policy.

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When going concern stress indicators are present, the auditor must evaluate **Management's Mitigating Plans**—including plans to liquidate assets, reschedule debt repayments, obtain additional equity injections, or reduce operational expenditure. The auditor must obtain sufficient appropriate audit evidence confirming the feasibility and commercial viability of these mitigating plans (e.g. inspecting written binding bank refinancing agreements) before reaching a reporting conclusion.

Chapter 2: Final Evaluations & the Auditor's Report (ASA 700 & ASA 705)

2.1 Final Evidence Review, Written Representations & Misstatement Evaluation

Prior to formulating the final audit opinion, the engagement team executes four mandatory closing procedures:

1. **Final Analytical Procedures (ASA 520):** The auditor designs and performs analytical procedures near the end of the audit that assist in forming an overall conclusion as to whether the financial report is consistent with the auditor's understanding of the entity.
2. **Written Representations (ASA 580):** The auditor must request written representations from the Chief Executive Officer (CEO) and Chief Financial Officer (CFO) confirming that management has fulfilled its statutory responsibilities for the preparation of the financial report, provided the auditor with all relevant access, and disclosed all known frauds, non-compliance with laws, and related-party transactions. The representation letter must be signed on the exact same date as the independent auditor's report. *Evidentiary Limitation:* Written representations provide necessary audit evidence, but they do not provide sufficient appropriate evidence on their own; they cannot substitute for other corroborative substantive procedures.
3. **Evaluation of Misstatements (ASA 450):** The auditor accumulates all misstatements identified during the audit other than those clearly trivial on the Summary of Unadjusted Audit Differences (SUAD). Misstatements are categorized as:
    - *Factual Misstatements:* Misstatements about which there is no doubt (e.g. an arithmetic error or duplicate billing).
    - *Judgmental Misstatements:* Differences arising from the judgments of management concerning accounting estimates that the auditor considers unreasonable, or the selection of accounting policies considered inappropriate.
    - *Projected Misstatements:* The auditor's best estimate of misstatements in populations, involving the projection of misstatements identified in audit samples across the entire population under ASA 530.

    If the aggregate of uncorrected misstatements approaches or exceeds overall planning materiality, the auditor requests management to adjust the financial statements. If management refuses, the auditor must modify the audit opinion.
4. **Engagement Quality Review (EQR under ASQM 2 & ASA 220):** For all listed entities, an independent engagement quality review partner must review the significant judgments made by the engagement team and the conclusions reached before the auditor's report is formally signed.

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2.2 Key Audit Matters (KAMs) in Listed Entity Reporting (ASA 701)

For audits of listed entities on the Australian Securities Exchange (ASX), ASA 701 (Communicating Key Audit Matters in the Independent Auditor's Report) mandates that the auditor include a dedicated "Key Audit Matters" section in the auditor's report. Key Audit Matters are defined as those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial report of the current period.

KAMs are selected from matters communicated with the Board Audit Committee, focusing on areas of high assessed RMM, significant accounting estimates involving high estimation uncertainty (e.g. goodwill impairment, mine rehabilitation provisions), and the effect of significant unusual transactions. For each individual KAM disclosed, the auditor's report must provide:

- A concise description of **why the matter was considered to be a KAM** (the commercial and accounting rationale);
- A detailed summary of **how the matter was addressed in the audit** (the specific substantive procedures, specialist evaluations, and tests of controls performed by the audit team); and
- A precise reference to the **related note disclosures** in the company's financial report.

Critical Regulatory Distinction: Disclosing a Key Audit Matter is not a substitute for a modified audit opinion under ASA 705, nor is it a separate opinion on individual financial statement items. A KAM can only be reported if the overall financial report has received an audit opinion.

2.3 The Deterministic Decision Framework for Auditor's Reports

Under ASA 700, ASA 705, and ASA 706, the nature of the auditor's report is determined systematically based on whether the financial report is materially misstated or whether there is an inability to obtain sufficient appropriate audit evidence, evaluated against whether the effect is pervasive:

Nature of Circumstance	Material but NOT Pervasive	Material AND Pervasive
Financial Report is Materially Misstated (Disagreement over accounting policy, valuation, or disclosure)	**Qualified Opinion ("Except For")** *Opinion phrasing:* "In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section..."	**Adverse Opinion ("Do Not Present Fairly")** *Opinion phrasing:* "In our opinion, because of the significance of the matter described... the financial report does not present fairly..."
Inability to Obtain Sufficient Appropriate Audit Evidence (Scope limitation imposed by management, destruction of records, or circumstance)	**Qualified Opinion ("Except For")** *Opinion phrasing:* "In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section..."	**Disclaimer of Opinion ("Do Not Express an Opinion")** *Opinion phrasing:* "We do not express an opinion on the accompanying financial report. Because of the significance of the matter... we have not been able to obtain sufficient appropriate evidence..."

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Pervasive effects are those that, in the auditor's professional judgment: are not confined to specific elements, accounts, or items of the financial report; if confined, represent a substantial proportion of the financial report; or in relation to disclosures, are fundamental to users' understanding of the financial report.

2.4 Emphasis of Matter & Other Matter Paragraphs (ASA 706)

ASA 706 governs two additional communication mechanisms that do not modify the auditor's opinion:

- **Emphasis of Matter (EoM) Paragraph:** A paragraph included in the auditor's report that refers to a matter *appropriately presented or disclosed in the financial report* that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial report. Conditions: The matter must be properly disclosed by management in the notes, and the auditor's opinion is NOT modified in respect of the matter. Common examples include significant subsequent events (e.g. a post-year-end fire) or major ongoing regulatory litigation.
- **Other Matter (OM) Paragraph:** A paragraph included in the auditor's report that refers to a matter *other than those presented or disclosed in the financial report* that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report (e.g. prior-period financial statements audited by another practitioner).

Chapter 3: Emerging Horizons: Sustainability Assurance & Artificial Intelligence

3.1 Mandatory Australian Sustainability Reporting & Climate Assurance (ASRS & ASAE 3410)

The global and Australian assurance landscape is undergoing the most profound regulatory expansion since the introduction of IFRS. Under the Commonwealth Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Act 2024, Australia has instituted a mandatory climate-related financial disclosure regime aligned with the International Sustainability Standards Board (ISSB) standards.

The Australian Accounting Standards Board (AASB) has issued Australian Sustainability Reporting Standards (ASRS):

- **AASB S1:** General Requirements for Disclosure of Sustainability-related Financial Information.
- **AASB S2:** Climate-related Disclosures, mandating detailed corporate disclosure of governance, strategy, risk management, climate transition plans, climate scenario analysis, and greenhouse gas (GHG) emissions across Scope 1 (direct emissions), Scope 2 (indirect electricity emissions), and Scope 3 (value chain upstream and downstream emissions).

Under the AUASB assurance roadmap, sustainability reports prepared by large reporting entities will transition progressively from voluntary reporting to mandatory external assurance under ASAE 3000 (Assurance Engagements Other than Audits or Reviews of Historical Financial Information) and ASAE 3410 (Assurance Engagements on Greenhouse Gas Statements):

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Phased Implementation Stage	Target Corporate Cohort	Required Scope & Assurance Level
Phase 1 (From 1 Jan 2025)	Group 1 Entities: Large ASX entities satisfying 2 of 3 criteria (Consolidated revenue $\geq$ $500m, Assets $\geq$ $1bn, Employees $\geq$ 500), or NGER reporting entities exceeding emissions thresholds.	Mandatory baseline limited assurance over Scope 1 and Scope 2 emissions governance; disclosure of Scope 3 emission targets.
Phase 2 (From 1 July 2026)	Group 2 Entities: Medium-large corporations satisfying 2 of 3 criteria (Revenue $\geq$ $200m, Assets $\geq$ $500m, Employees $\geq$ 250).	Expansion of limited assurance to encompass Scope 3 emissions calculations and climate transition strategy governance.
Phase 3 (From 1 July 2027+)	Group 3 Entities: Smaller disclosing entities satisfying 2 of 3 criteria (Revenue $\geq$ $50m, Assets $\geq$ $25m, Employees $\geq$ 100).	Full statutory reasonable assurance (audit-grade assurance) over all Scope 1, Scope 2, and material Scope 3 emissions statements and climate disclosures.

3.2 Mitigating Greenwashing Risks in Assurance Practice

The Australian Securities and Investments Commission (ASIC) has identified "greenwashing"—the practice of misrepresenting the extent to which a financial product or corporate strategy is environmentally friendly, sustainable, or ethical—as a primary regulatory enforcement priority. Assurance practitioners auditing sustainability disclosures face unique verification challenges:

1. **Verifying Scientific Calculation Methodologies:** Auditing greenhouse gas emissions requires evaluating whether conversion factors (e.g. National Greenhouse Accounts Factors published by the Australian Government) have been accurately applied to primary physical activity data (kilowatt-hours of electricity consumed, litres of diesel fuel used).
2. **Evaluating Forward-Looking Climate Transition Scenarios:** Many corporate disclosures assert "Net Zero by 2050" targets. Assurance practitioners must critically evaluate whether these net-zero targets represent realistic, financed transition pathways supported by board-approved capital expenditure budgets, or merely promotional aspirational marketing without operational feasibility.
3. **Assessing Carbon Offset Credibility:** Verifying that Australian Carbon Credit Units (ACCUs) or international carbon offsets retired by the company meet regulatory additionality and permanence standards, avoiding double-counting across reporting boundaries.

3.3 Artificial Intelligence, Machine Learning & Continuous Auditing

The integration of advanced Artificial Intelligence (AI) and machine learning (ML) models is revolutionizing audit practice across the globe:

- **Natural Language Processing (NLP) in Contract Review:** Large commercial clients enter thousands of complex multi-element customer and vendor agreements annually. Machine learning NLP tools ingest unstructured PDF contracts, automatically extracting performance obligations,

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payment milestones, cancellation penalty clauses, and lease terms under AASB 16, flagging non-standard contractual terms for auditor inspection.

- **Unsupervised Machine Learning in Anomaly Detection:** While traditional rule-based scripts query specific parameters, unsupervised clustering algorithms (e.g. k-means clustering, isolation forests) analyse multi-dimensional transaction features simultaneously. The algorithm autonomously clusters ordinary operational transactions into normative behavioural patterns, immediately isolating multi-variate statistical anomalies that represent sophisticated executive fraud.
- **Continuous Assurance Platforms:** Rather than performing cyclical interim and year-end audits, modern assurance practices deploy real-time application programming interfaces (APIs) connected directly into corporate enterprise ledgers. These systems continuously monitor transactions, instantly notifying the auditor when control thresholds are breached or suspicious manual journals are posted, transitioning the profession toward real-time continuous assurance.

3.4 Comprehensive Summary Table: Standard Audit Opinion Determinants

Audit Scenario	Assessed Accounting Issue	Materiality & Pervasiveness	Standard Audit Opinion / Report Outcome
Scenario 1	Financial statements prepared in full compliance with AASB standards; no material misstatements.	Immateral	**Unmodified (Clean) Opinion** under ASA 700.
Scenario 2	Client capitalised \$15m in research costs (breaching AASB 138). PBT is \$100m. Management refuses to adjust.	Material but NOT pervasive	**Qualified Opinion ("Except For")** under ASA 705.
Scenario 3	Client carried non-existent inventory of \$80m representing 75% of total assets. Fictitious revenue recorded.	Material AND pervasive	**Adverse Opinion ("Do Not Present Fairly")** under ASA 705.
Scenario 4	Warehouse destroyed by fire; all physical inventory count records destroyed. No alternative evidence obtainable.	Material but NOT pervasive	**Qualified Opinion ("Except For" Scope Limitation)** under ASA 705.
Scenario 5	Management refuses to grant access to overseas subsidiary records representing 65% of corporate revenue.	Material AND pervasive	**Disclaimer of Opinion ("Do Not Express an Opinion")** under ASA 705.
Scenario 6	Significant going concern material uncertainty exists, but is fully and transparently disclosed in Note 32.	Material uncertainty disclosed	**Unmodified Opinion with "Material Uncertainty Related to Going Concern" section** under ASA 570.

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Chapter 4: Detailed Opinion Formulation Case Studies & Standard Report Wording

4.1 Case Study 1: Qualified Audit Opinion Due to Disagreement on Asset Valuation (ASA 705)

Scenario: Australis Mining Limited carries an exploration and evaluation asset balance of \$35 million in its financial report for the year ended 30 June 2026. Substantive testing reveals that mining exploration licenses expired without renewal, and recent drilling yielded unviable commercial results. Under AASB 6 and AASB 136, the asset is fully impaired. Total company assets are \$250 million, and normalized Profit Before Tax is \$50 million. Planning materiality was set at \$2.5 million. Management refuses to record an impairment write-down, arguing that future commodity prices may recover. The auditor assesses the misstatement as material (\$35 million exceeds \$2.5 million), but not pervasive because it is strictly confined to a single discrete non-current asset account and does not render the entire financial report fundamentally misleading.

Standard Audit Report Formulation:

> **Qualified Opinion**
>
> In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of Australis Mining Limited gives a true and fair view of the entity's financial position as at 30 June 2026, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards and the *Corporations Act 2001*.
>
> **Basis for Qualified Opinion**
>
> The company's exploration and evaluation assets are carried in the statement of financial position at \$35,000,000. During our audit, we identified that the exploration licenses for Tenements 402 and 405 expired during the period and commercial drilling yielded unviable mineralization. Under Australian Accounting Standard AASB 136 *Impairment of Assets*, management was required to recognize an impairment loss of \$35,000,000. Management has declined to record this adjustment. Had the impairment loss been recognized, exploration assets would have decreased by \$35,000,000, operating expenses would have increased by \$35,000,000, and profit before tax and total equity would have decreased by \$35,000,000.

4.2 Case Study 2: Adverse Audit Opinion Due to Pervasive Consolidation Failure (ASA 705)

Scenario: Southern Cross Holdings Limited holds an 80% voting equity interest in a major commercial retail operating subsidiary generating \$450 million in revenue and carrying \$300 million in bank liabilities. Management declined to consolidate the subsidiary in the consolidated financial report under AASB 10, instead accounting for the investment at historical cost (\$10 million), to keep the subsidiary's massive debt off the group balance sheet. The auditor concludes that the omission of the subsidiary affects almost every single line item across the balance sheet, income statement, and statement of cash flows. The misstatement is both material and pervasive.

Standard Audit Report Formulation:

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> **Adverse Opinion**
>
> In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion* section of our report, the accompanying financial report of Southern Cross Holdings Limited does not give a true and fair view of the consolidated financial position of the group as at 30 June 2026, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Australian Accounting Standards and the *Corporations Act 2001*.
>
> **Basis for Adverse Opinion**
>
> As explained in Note 4, the group has not consolidated its subsidiary Southern Cross Retail Pty Ltd, which was acquired during the financial year. Under Australian Accounting Standard AASB 10 *Consolidated Financial Statements*, the group should have consolidated this subsidiary. Had Southern Cross Retail Pty Ltd been consolidated, many elements in the accompanying financial report would have been materially affected. The effects on the financial report have not been determined because management has not prepared consolidated financial accounts.

Chapter 5: Statutory Auditor Obligations under the Australian Corporations Act 2001

5.1 Mandatory Statutory Reporting to ASIC under Section 311

The Australian Corporations Act 2001 imposes stringent statutory whistleblowing obligations upon registered company auditors that transcend ordinary contractual confidentiality duties. Under s. 311 of the Corporations Act 2001, an auditor must notify the Australian Securities and Investments Commission (ASIC) in writing within 28 days if the auditor has reasonable grounds to suspect that:

- A significant contravention of the Corporations Act 2001 has occurred; or
- A contravention has occurred that is not significant, but the auditor believes that the matter has not been, or will not be, adequately dealt with by commenting on it in the auditor's report or by bringing it to the attention of corporate directors.

ASIC Regulatory Guide 34 (RG 34) provides explicit guidance regarding what constitutes a "significant contravention". Factors include: the financial impact on the entity or third parties; whether the contravention involves dishonesty, systemic fraud, or gross negligence by senior management; and whether the contravention impairs the ability of the company to satisfy its debts as and when they fall due (insolvent trading under s. 588G). Auditors who comply with s. 311 in good faith are granted statutory qualified privilege under s. 1289, protecting them entirely from any civil defamation or breach-of-confidentiality lawsuits.

5.2 The Companies Auditors Disciplinary Board (CADB)

Auditor professional conduct and competence in Australia are subject to formal statutory disciplinary oversight through the Companies Auditors Disciplinary Board (CADB), an independent statutory tribunal established under the ASIC Act 2001. If ASIC's audit surveillance program or a s. 311 notification reveals that a registered company auditor has:

1. Failed to comply with applicable Australian Auditing Standards (ASAs) in breach of s. 307A;

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2. Breached statutory auditor independence rules under Part 2M.4;
3. Failed to perform audit duties properly, competently, and diligently; or
4. Ceased to be a fit and proper person to remain registered as an auditor,

ASIC applies to the CADB for disciplinary orders. The CADB possesses statutory powers to cancel or suspend an auditor's professional registration, issue public reprimands, and require the auditor to give undertakings regarding future professional supervision or education.

Chapter 6: Using the Work of Internal Auditors & External Experts (ASA 610 & ASA 620)

6.1 Relying on Internal Audit vs The Australian Direct Assistance Prohibition

Many large commercial enterprises maintain dedicated internal audit functions. Under ASA 610 (Using the Work of Internal Auditors), the external auditor evaluates whether the work of the internal audit function can be utilized to modify the nature, timing, or extent of external audit procedures. The external auditor evaluates three core criteria:

- **Objectivity:** The organizational status of the internal audit function (e.g. reporting directly to the independent Board Audit Committee rather than the operational CFO) and freedom from operational conflicts.
- **Technical Competence:** Professional qualifications (e.g. CA, CPA, CIA), technical training, and proficiency of internal audit personnel.
- **Systematic and Disciplined Approach:** Whether internal audit applies documented methodologies, quality control procedures, and comprehensive working paper standards.

Strict Australian Invariant: Under international standard ISA 610, external auditors are permitted in certain jurisdictions to use internal auditors to provide "direct assistance" (directing internal audit staff to perform testing under the direct supervision of the external audit partner). **In Australia, the AUASB explicitly eliminated direct assistance from ASA 610!** In Australia, external auditors are strictly prohibited from using internal audit staff to provide direct assistance on statutory financial statement audits, preserving absolute operational independence.

6.2 Using the Work of an Auditor's Expert (ASA 620)

When auditing complex technical areas outside the ordinary competence of accounting and auditing practitioners—such as specialized mineral reserve valuations (JORC codes), actuarial calculations of life insurance liabilities, or complex legal claim estimations—the auditor engages an **Auditor's Expert** under ASA 620. The auditor must:

1. Evaluate the expert's professional competence, capabilities, and objectivity;
2. Obtain a clear written agreement on the nature, scope, and objectives of the expert's work; and
3. Critically evaluate the adequacy of the expert's work, including testing the source data used, evaluating the reasonableness of significant assumptions, and assessing consistency with other audit evidence. The external auditor retains sole, non-delegable responsibility for the final audit opinion expressed.

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Chapter 7: Annotated Anatomy of the Complete Independent Auditor's Report

7.1 Standard Structure of the Auditor's Report for Listed Entities (ASA 700 & ASA 701)

For an ASX-listed public corporation, the statutory independent auditor's report follows a strictly mandated sequence designed to ensure international comparability and transparency for global capital markets:

1. **Title:** Must explicitly state "Independent Auditor's Report", affirming the practitioner's statutory independence.
2. **Addressee:** Addressed to the members (shareholders) of the company, reflecting the corporate governance agency relationship under the Corporations Act 2001.
3. **Auditor's Opinion:** Placed prominently as the very first substantive section of the report. Explicitly identifies the entity, the consolidated financial statements audited, the reporting date (e.g. 30 June 2026), and expresses the formal opinion that the financial report gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001.
4. **Basis for Opinion:** Immediately follows the Opinion section. States that the audit was conducted in accordance with Australian Auditing Standards (ASAs), references the auditor's statutory responsibilities section, and includes an explicit statement affirming independence under the Corporations Act 2001 and APES 110, alongside confirmation that the audit evidence obtained is sufficient and appropriate.
5. **Material Uncertainty Related to Going Concern (if applicable under ASA 570):** Placed immediately after Basis for Opinion. Draws attention to note disclosures describing conditions that indicate material uncertainty regarding going concern, without modifying the audit opinion.
6. **Key Audit Matters (KAMs under ASA 701):** Required for all listed entities. Details the matters of greatest significance in the audit, explaining why each matter was selected, how it was addressed in the audit, and referencing related financial note disclosures.
7. **Other Information (ASA 720):** Outlines the auditor's responsibilities regarding non-financial information contained in the Annual Report (e.g. Chairman's Letter, Operating and Financial Review [OFR], Sustainability Disclosures), confirming that the auditor has read the material to identify material inconsistencies with the audited financial report.
8. **Responsibilities of the Directors for the Financial Report:** Clearly describes the statutory duties of directors under s. 295 to prepare financial statements that give a true and fair view, maintain internal controls, and assess the entity's ability to continue as a going concern.
9. **Auditor's Responsibilities for the Audit of the Financial Report:** Details the objectives of the auditor to obtain reasonable assurance about whether the financial report is free from material misstatement, explains that reasonable assurance is a high level of assurance but not a guarantee, defines materiality, and describes the exercise of professional scepticism and audit procedures.
10. **Report on the Remuneration Report:** Mandated by s. 308(3C) of the Corporations Act 2001 for listed companies. Expresses an explicit statutory opinion stating whether the Remuneration Report contained in the Directors' Report complies with s. 300A of the Corporations Act 2001.
11. **Signature, Date, and Location:** Signed by the lead audit engagement partner in their personal name and on behalf of the registered audit firm, noting the partner's registration details, the date

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the report is signed, and the Australian city where the audit office is located.

Chapter 8: Comprehensive Professional Assurance Review Matrix

8.1 Definitional and Standards Quick Reference Matrix

Auditing Standard	Standard Title & Scope	Key Mandates & Thresholds	Critical Practical Risk Focus
ASA 200	Overall Objectives of the Independent Auditor	Reasonable assurance; professional scepticism; compliance with ASAs and ethical requirements.	Guards against complacency and unconscious confirmation bias during evidence evaluation.
ASA 240	The Auditor's Responsibilities Relating to Fraud	Mandatory presumption of fraud risk in revenue; testing journal entries and management override.	Requires data analytics testing across 100% of manual and top-side journal entries.
ASA 315	Identifying & Assessing Risks of Material Misstatement	Top-down understanding of entity, IT systems, ITGCs, and COSO internal control components.	Identifies significant risks requiring special audit consideration (e.g. complex estimates).
ASA 320	Materiality in Planning and Performing an Audit	Overall Planning Materiality (M); Performance Materiality (PM); Clearly Trivial (CT).	Prevents aggregation of undetected minor misstatements from causing material distortion.
ASA 500	Audit Evidence	Sufficiency (quantity) and Appropriateness (relevance and reliability) of evidence.	Establishes priority for independent external corroboration over internal client assertions.
ASA 505	External Confirmations	Mandatory control over confirmation design, dispatch, and direct return; positive vs negative forms.	Direct confirmation of bank deposits, borrowings, derivatives, and trade receivables.
ASA 530	Audit Sampling	Statistical vs non-statistical; Monetary Unit Sampling (MUS); evaluation of projected misstatements.	Quantifies and bounds Type II sampling risk (risk of incorrect acceptance).
ASA 560	Subsequent Events	Type 1 adjusting vs Type 2 non-adjusting events; active search up to report date.	Ensures post-balance-date customer collapses or legal settlements are reflected in accounts.

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Auditing Standard	Standard Title & Scope	Key Mandates & Thresholds	Critical Practical Risk Focus
ASA 570	Going Concern	Evaluating management's 12-month viability assessment; evaluating mitigating funding plans.	Determines whether a "Material Uncertainty Related to Going Concern" section is required.
ASA 701	Communicating Key Audit Matters	Mandatory for listed entities; describes matters of most significance and how they were audited.	Provides customized transparency regarding high-risk audit areas (goodwill, revenue models).
ASA 705	Modifications to the Opinion in the Independent Report	Qualified, Adverse, and Disclaimer of Opinion decision matrix based on materiality and pervasiveness.	Enforces statutory boundaries when management refuses adjustments or imposes scope restrictions.

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