



Removal of special purpose financial statements and the introduction of simplified disclosures – Part 3 Auditor's considerations

AASB and AUASB staff, May 2021


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Reminder of webinar 1

- High level overview of the changes
- Who was affected?
- What was happening?
- What if you could continue to prepare SPFS?



A recording of webinar 1 is available on the AASB website

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Reminder of webinar 2

Transitional relief and options for entities currently preparing:

- Tier 2 – RDR financial statements
- Special Purpose Financial Statements (SPFS) which:
 - comply with ALL recognition and measurement requirements AS WELL as consolidation and equity accounting
 - do not comply with ALL recognition and measurement requirements or consolidation and equity accounting



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A recording of
webinar 2 is
available on the
AASB website

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Plan for the session

Audit implications for:

- entities transitioning from special purpose financial statements (SPFS)
- entities transitioning from Tier 2 – Reduced Disclosure Requirements



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AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities

Required by legislation to prepare financial statements in accordance with Accounting Standards or Australian Accounting Standards

Prepare general purpose financial statements from 1 July 2021 if either of the criteria are met

Required by a constituting or other documents to prepare financial statements in accordance with Australian Accounting Standards where that document was created or amended after 1 July 2021



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General purpose financial statements

Tier 1 – full IFRS

Recognition and measurement requirements from relevant AASBs

Consolidation and equity accounting of investees

Presentation requirements of relevant AASBs

Disclosure requirements of relevant AASBs

General purpose financial statements

Tier 2 - simplified disclosures

Recognition and measurement requirements from relevant AASBs

Consolidation and equity accounting of investees

Presentation requirements of AASB 1060

Disclosure requirements of AASB 1060



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Transition relief available RDR (or SPFS full compliance with R&M, consolidation and equity accounting) → SD

Early adoption is for reporting
periods **before** 1 July 2021

Early adopt

No requirement to provide comparative disclosures for disclosures not previously included (e.g. audit fees and imputation credits).

Adopt on mandatory date

No transition relief available



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Transition options – Non-compliance with R&M or consolidation / equity accounting

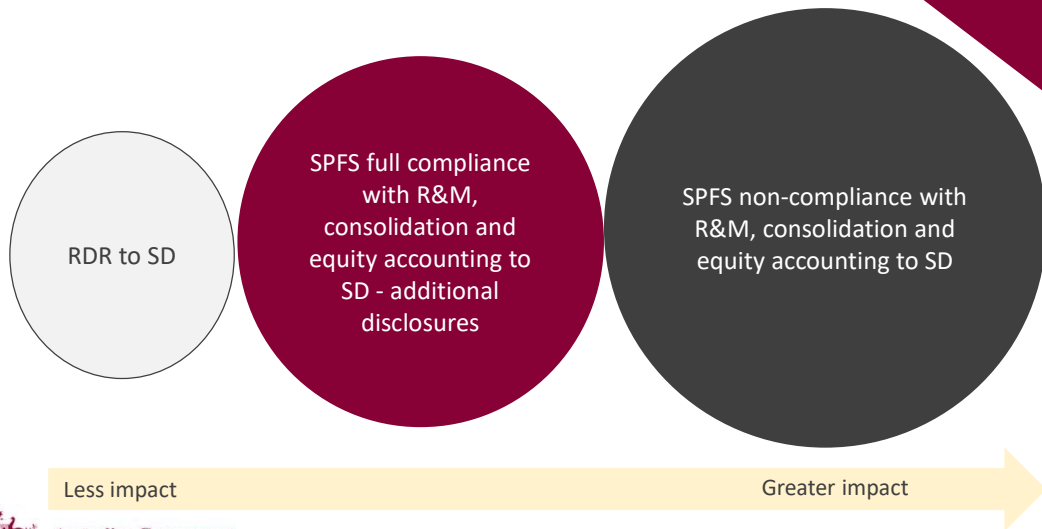
EARLY ADOPT	DO NOT EARLY ADOPT
Do not restate comparatives	Restate comparatives to comply with recognition, measurement, consolidation and equity accounting
Comparative numbers are noted as prepared under special purpose framework	
June year end – adopt at 30 June 2021	June year end – adopt at 30 June 2022
<ul style="list-style-type: none"> 30 June 2020 – under special purpose framework 1 July 2020 – adjust numbers to comply with recognition, measurement, consolidation and equity accounting 30 June 2021 – general purpose (Tier 2) 	<ul style="list-style-type: none"> 1 July 2020 - adjust numbers to comply with recognition, measurement, consolidation and equity accounting 30 June 2021 – restate numbers previously presented – general purpose (Tier 2) 30 June 2022 – general purpose (Tier 2)



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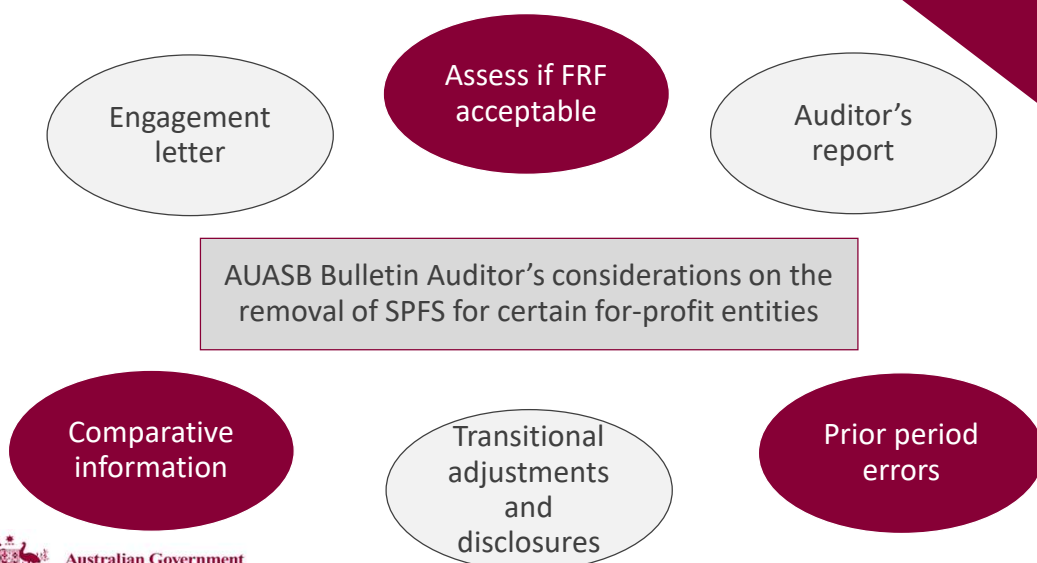
What is the impact on my audit?



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Auditor's considerations



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Is the FRF acceptable?

Continuing to prepare SPFS	Transitioning to GPFS	Is the FRF adequately described?
<ul style="list-style-type: none"> Is this acceptable? ASA 210 ASA 800 AASB 2020-2 	<ul style="list-style-type: none"> Tier 1 – have full IFRS been appropriately applied? Tier 2 - Has AASB 1060 been appropriately applied? Transitional adjustments and disclosures – has AASB 2020-2 been appropriately applied? 	<ul style="list-style-type: none"> In financial report

Comparative information

ASA 710 - sufficient and appropriate audit evidence comparatives presented in all material respects in accordance with the FRF

- In accordance with AASB 2020-2 i.e. restated or not?
- If not restated – agree to prior year FR
- If restated - obtain audit evidence

Transitional adjustments and disclosures

- Obtain sufficient and appropriate audit evidence on transition adjustments and disclosures required by AASB 2020-2 when forming opinion on whether financial report as a whole, is free from material misstatement.
- Even if not restating comparatives entities need to prepare an opening balance sheet to determine adjustments to opening retained earnings on transition – apply ASA 510 and perform specific audit procedures
- No requirement to distinguish the adjustments as changes in accounting policies OR prior period error in the **financial statements**

But consider other responsibilities in relation to errors



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Prior period errors

- ASA 560 relevant requirements when error identified after financial report is issued
- *Corporations Act 2001* section 311 notification requirements still exist (refer RG 34)
- Fair presentation – compliance with FRF in nearly all circumstances achieves FP but there may be scenarios where the prior period error is material and likely to impact the decision making of users – consider additional disclosures to achieve FP



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Change in accounting policy vs error

What is an error?

- If previously stated compliance with R&M but identify adjustments to achieve compliance
- If stated compliance with certain accounting standards but identify adjustments to achieve compliance
- *Corporations Act* entities adjustments to comply with AASB 101, 107, 108, 1048 and 1054

Any other adjustments are a change in accounting policy



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Other things to consider

- Does the Financial Report adequately describe the FRF and the impact of the change?
- Engagement letter – obtain management's acknowledgement of their responsibilities



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Auditor's report

Has the financial report as a whole been prepared, in all material respects, in accordance with the applicable financial reporting framework?

- AASB 2020-2 Transitional adjustments and disclosures
- AASB 1060 (Tier 2 SD) or full IFRS

SPFR

Refer ASA 800
EOM on basis of preparation

Transitioning from SP to GP

Sufficient appropriate audit evidence
over comparative information and
adjustments?

EOM? Depends? Refer ASA 706



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Next steps

- Discuss with your client their responsibilities
 - Determine appropriate FRF
 - If applicable, when they will transition
 - Calculate opening position, transitional adjustments and disclosures with appropriate supporting documentation
- Consider any impact on fees and timetable



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Need more information?

- Recordings of webinars (part 1, part 2 and part 3) – available on the AASB website
- AASB Key Facts Documents for more information on accounting changes – AASB website under 'hot-topics'
- AUASB Bulletin for more details on the implications for auditors – AUASB website under 'AUASB Bulletins'

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Thank You.

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