



**ASIC**  
Australian Securities &  
Investments Commission

For business

For finance professionals

For consumers

# Users of financial reports

## List of financial reporting and audit questions

The information on these pages is intended to help users of financial reports, including shareholders, investors and creditors, better understand:

- the circumstances in which a financial report is required and the information a report must contain
- the differences between various types of financial reports
- which entities must have their financial reports audited,
- the purpose of an audit report and the difference between audits and reviews, and
- the answers to other general financial reporting and audit questions.

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## What are the financial reporting requirements?

While all companies should keep financial records to keep track of their business, some types of companies have additional reporting requirements and will need to prepare and lodge financial reports with ASIC.

- See [Financial reports](#) (Information Sheet 31) which outlines which entities have to lodge financial reports, applicable exemptions and how to go about lodging

Financial reports consist of a statement of financial position, statement of comprehensive income, statement of changes in equity, statement of cash flows, notes, directors' declaration, directors' report and the auditor's report. The financial statements need to be prepared in accordance with applicable accounting standards, making the necessary disclosures in order to be transparent and fully inform readers about the activities and financial situation of the entity. Preparers should consider ASIC's latest media release for areas of focus and engage expert assistance where appropriate (for example with complex valuations).

Financial reports should be accompanied by Form 388 when lodged with ASIC. Listed entities lodge their financial reports with the Australian Securities Exchange (ASX). This is then sent to ASIC's register to satisfy their lodgement requirements. ASIC utilises compliance programs to ensure entities meet their obligations under the Corporations Act.

[More about ASIC's compliance programs](#)

Financial reports are available on ASIC's public register. To locate a specific company's financial report you can complete a company name search on Organisations & Business Names at [ASIC Connect](#).

Generally, small proprietary companies do not have to prepare or send financial statements to ASIC, [except foreign controlled small proprietary companies in certain circumstances](#).

[More about obligations of foreign companies to report](#)

These companies are prohibited from offering shares to the public or from running investment schemes offered to the public.

## What books and records should a company keep?

[What books and records should my company keep?](#) (Information Sheet 76)

## Where can I find financial reports?

Large proprietary companies, public companies, disclosing entities and registered investment schemes must provide ASIC with their financial reports within four (4) months after the end of their financial year (three (3) months for a disclosing entity or registered scheme). You can check whether an entity has lodged a financial report by searching on Organisations & Business Names at [ASIC Connect](#). You can search for information on ASIC's registers using an approved ASIC [information broker](#).

These entities must also provide a copy of the financial report to their members by making it available on their website or by sending a copy to the member. A member may elect not to receive a copy of a financial report. The legislation provides a number of options for making a financial report available to members. Please contact the entity:

- if you are not sure about the arrangements that exist in a particular case, or
- if you are receiving a copy of an annual report and you do not wish to continue receiving it.

## ASIC's role in regulating financial reporting requirements

ASIC's role is as company regulator. It is not ASIC's role however, to ensure the financial soundness of an entity.

[More about ASIC's role as company regulator](#)

ASIC utilises compliance programs to ensure entities meet their obligations under the Corporations Act, including financial reporting lodgement requirements.

[More about ASIC's compliance programs](#)

## Understanding financial reports – first steps

The financial report, including the audit report, is a source of information about an entity. Financial reports are used by a wide variety of people to evaluate an entity's financial position, performance and changes during the financial year. Financial Reports help readers to make better informed decisions in their dealings with the entity.

You don't have to be an accountant to understand financial data. Take some time to look at your company's financial statements. Start with simple questions:

**Question 1**      **Is the company consistently profitable or does it swing between profits and losses every few years?**  
Look at the income statements.

**Question 2**      **Do the company's operations generate surplus cash each year? To what extent does the surplus cash from operations cover the cost of renewing plant and equipments and making new investments?**  
Check the statement of cash flows.

**Question 3**      **How heavily does the company borrow to support its operations? What percentage of the total assets of the company is made up of borrowed money?**  
See the balance sheet.

Over time, if you keep looking at the company's financial reports and if you read commentary from financial journalists and others, your grasp will deepen and you will be able to explore financial issues more thoroughly.

For further guidance showing how you can use a company financial report, visit [MoneySmart: Annual reports](#).

## Who must have their financial report audited?

Certain types of entities must have their financial reports audited by a registered company auditor.

A company (other than a [small proprietary company](#)), registered scheme (managed investment scheme) or disclosing entity (a body that holds enhanced disclosure securities) must have its annual financial report audited and obtain an auditor's report.

However a proprietary company may be exempt from having its financial report audited (see [Regulatory Guide 115](#) and [CO 98/1417 Audit Relief for Proprietary Companies](#)) or may otherwise be eligible for audit relief.

A disclosing entity must have its interim financial report reviewed and obtain a registered company auditor's review report.

## What is the purpose of an audit and auditor's report?

An auditor's report is a key tool when reporting financial information to users.

It is an independent opinion provided by an independent external auditor as a result of an audit, review or agreed procedures conducted on an entity.

The auditor's report is intended to provide an opinion to report users as to whether the applicable financial reporting framework has been applied in the preparation of the report, whether they are free from material misstatement and whether they show a true and fair view of the operating results, financial position and cash flows of the entity.

The preparation and presentation of the financial reports, and the content of those reports, is ultimately the responsibility of those charged with governance of the entity (for example, directors of a company).

## What is the difference between an 'audit' and a 'review' of a financial report?

Annual financial reports are required to be audited and interim financial reports are required to be reviewed.

An **audit** is a detailed process that provides a high level of assurance to the users of financial reports.

The objective of an audit of a financial report is to enable the auditor to express an opinion whether the financial report is prepared, in all material respects, in accordance with an applicable financial reporting framework. When forming an opinion on the financial report the auditor needs to evaluate whether, based on the audit evidence obtained, there is reasonable assurance about whether the financial report taken as a whole is free from material misstatement.

An auditor is required to conduct audit procedures in accordance with the auditing standards, in order to detect material misstatements and carry out specific procedures to reduce fraud risk.

A **review**, in contrast to an audit, is not designed to obtain reasonable assurance that the interim financial report is free from material misstatement.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review may bring significant matters affecting the interim financial report to the auditor's attention, but it does not provide all of the evidence that would be required in an audit.

The objective of a review of an interim financial report differs significantly from that of an audit conducted in accordance with Auditing Standards. A review of an interim financial report does not provide a basis for expressing an opinion whether the financial report gives a true and fair view, or is presented fairly, in all material respects, in accordance with the applicable financial reporting framework.

The objective of an engagement to review an interim financial report is 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 interim financial report is not prepared, in all material respects, in accordance with an applicable financial reporting framework.

## Who can be an auditor?

The Corporations Act states that a natural person may make an application, meeting certain criterion, to ASIC for registration as an auditor (categorised as either a registered company auditor or an authorised audit company). ASIC maintains a Professional Register, listing all registered company auditors and authorised audit companies, that you can search for free.

Find out more information about [ASIC's Professional registers](#).

Check if an [auditor is registered](#).

More information on [auditor registration](#).

## Who can audit a compliance plan of a registered managed investment scheme?

All registered managed investment schemes are required to engage a registered company auditor, an audit firm or an authorised audit company to carry out the audit of a compliance plan. There are certain restrictions on a person's eligibility to act as an auditor, which prevents an associate or agent of the responsible entity (RE) or an auditor of the RE's financial statements being the compliance plan auditor.

## Compliance plan audit

The compliance plan auditor is required to examine the scheme's compliance plan and audit the responsible entity's compliance with the compliance plan. The auditor then issues a report providing an opinion about compliance with the compliance plan during the financial year and whether the compliance plan meets the requirements of Part 5C.4 of the Corporations Act. This must be carried out within three months after the end of a financial year of the scheme.

The auditor of the compliance plan has to examine the compliance plan and provide a report to the responsible entity for the scheme within three months after the end of the financial year stating whether, in the auditor's opinion, the responsible entity complied with the scheme's compliance plan and the plan continues to meet the requirements under Part 5C.4 of the Corporations Act.

## Difference between auditing a company and a financial services licensee

In general terms, the audit of a financial services licensee involves conducting both a financial and compliance audit to check whether the licensee is complying with its licence conditions and the requirements of the Corporations Act.

The audit of a company is primarily a financial audit where the auditor is required to report to members in relation to the company's financial report, and adequacy of financial and statutory record keeping.

While the same auditor can conduct both audits for the one entity, the terms of an auditor's engagement should clearly indicate the type of audit to be conducted.

## How ASIC regulates financial reports, auditing and auditors

ASIC is the regulator of compliance with the financial reporting and auditing requirements of the Corporations Act.

ASIC is also responsible for the registration of auditors, their compliance with specific duties as an auditor and their compliance with the auditing requirements under the Corporations Act.

Our active monitoring of compliance with these requirements contributes directly to market integrity and investor confidence. We cannot however ensure the financial soundness of entities.

### Financial reporting

ASIC runs a financial reporting surveillance program with the aim of improving the quality of financial reporting. We regularly review the annual and interim financial reports of selected listed companies and other significant entities to monitor compliance with the Corporations Act and Australian Accounting Standards.

More information about the program is available on the [For preparers of financial reports](#) page.

### Auditing and auditors

ASIC conducts regular inspections of audit firms to assess compliance with the audit independence and audit quality requirements.

We publish public reports on our inspection program to better inform firms, the investing public, companies, audit committees and other interested stakeholders, of our observations and findings impacting on auditor independence and audit quality.

More information about the program is available on the [For auditors](#) page.

## How do I lodge a complaint about an auditor?

If you wish to make a complaint about an auditor, you can make a complaint directly to ASIC. For complaints procedures, view our [How to complain](#) page.

You can also make a complaint to the relevant professional body:

[CPA Australia](#)

[The Institute of Chartered Accountants in Australia](#)

[Institute of Public Accountants](#)

[Financial reporting and audit overview](#)