Reporting to shareholders and regulators

MODULE 4 | 4.4.2 | STUDENT COMPANION

Under the Corporations Act the auditor forms opinions on the financial report, on the **information and explanations** received and on the company's **records**, reporting on the information and the records only **by exception**. At a listed company's **annual general meeting**, the auditor attends and answers members' questions. And the auditor must **notify ASIC** in writing, as soon as practicable and within **28 days**, when there are reasonable grounds to suspect a **significant contravention**, a contravention that **won't be adequately dealt with** otherwise, or an **attempt to mislead or interfere** with the audit.

What the Corporations Act adds to the report

The auditor must form an opinion on (s307)	What then goes into the report (s308)
(a) The financial report complies with the Act, including the accounting standards, and gives a true and fair view	**Report the opinion to the members** If not of that opinion, say why (s308(1))
	A particular accounting standard not followed? Quantify the effect where practicable, or say why it can't be done (s308(2))
	Any defect or irregularity in the financial report Describe it (s308(3)(a))
(b) The auditor was given all the information, explanations and assistance the audit needed (c) The company kept financial records sufficient for a financial report to be prepared and audited (d) It kept the other records and registers the Act requires	**By exception** Describe any deficiency, failure or shortcoming in (b), (c) or (d), such as missing records or information that wasn't provided (s308(3)(b))

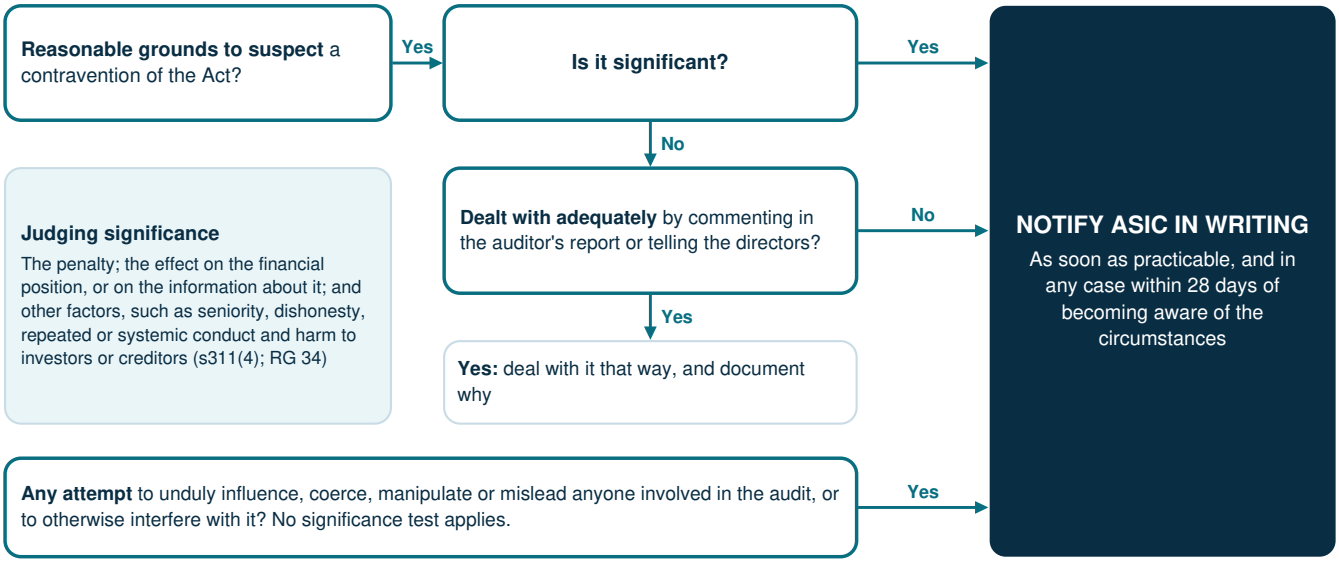
Silence on (b), (c) and (d) means the auditor found nothing to report: the Act adds this layer on top of the auditing standards.

At the annual general meeting

Attendance: the auditor of a listed company, or a suitably qualified member of the audit team who can answer questions, must attend the AGM at which the auditor's report is considered (s250RA).

Questions: before the meeting, members may submit written questions to the auditor about the content of the auditor's report or the conduct of the audit, no later than five business days before the AGM (s250PA). At the meeting, the chair must give members a reasonable opportunity to ask the auditor about the conduct of the audit, the preparation and content of the report, the accounting policies adopted and the auditor's independence (s250T). It is one of the few moments when the people the audit is for can question the auditor directly.

Reporting to ASIC under section 311



Reasonable grounds to suspect, not proof: no exhaustive investigation is needed. **Qualified privilege** (s1289) protects a report made in good faith, without malice, from defamation claims.

Section 311 in practice

Point	What it means
Threshold	Reasonable grounds to suspect: facts that would give a reasonable auditor an honest suspicion. No exhaustive investigation, and no evidence fit for a criminal court, is needed
Significance	The Act points to the penalty and the effect on the financial position, or on the information about it (s311(4)). ASIC's guide adds factors such as seniority, dishonesty, repeated or systemic conduct and harm to others, and treats insolvent trading, breaches of officers' duties or the accounting standards, related party breaches and failures to keep records as likely to be significant
Timing	As soon as practicable, and in any case within 28 days of becoming aware, even if the matter is fixed in the meantime; don't wait for the end of the audit
Confidentiality	Gives way where the law requires disclosure. Qualified privilege (s1289) protects a report made in good faith and without malice from defamation claims; it isn't protection from all legal action
Other regulators	Auditors of banks, insurers and superannuation funds have duties to the prudential regulator, APRA; overseas listings can bring duties to foreign regulators. When the position is unclear, take legal advice

Must Linden Ridge notify ASIC?

Reasonable grounds to suspect

- The CFO posted revenue journals for installations that hadn't happened
- The CFO gave the team misleading answers about them
- The CFO failed to disclose a business owned by a family member, paid above-market rates under the CFO's own approval

An attempt to mislead the auditor?	A significant contravention?	The audit committee is investigating. Does that change it?
Yes: reportable in its own right, with no significance test	Yes: suspected breaches of an officer's duties are significant	No: it doesn't remove the duty, and waiting for the outcome could take the auditor past the 28 days

So the engagement partner, after taking legal advice and informing the audit committee, notifies ASIC in writing within the 28 days, describing the circumstances and the evidence, and documents the decision.

The answer to the opening question: the board's investigation is welcome, but it runs alongside the auditor's legal duty, not in place of it.

Sources: Corporations Act 2001, ss 250PA, 250RA, 250T, 307, 308, 311 and 1289; ASIC Regulatory Guide 34, Auditor obligations: Reporting to ASIC (September 2025).

Module 4 in one table: completing Voltana's audit

Lesson	What was decided
4.1.1 Significant areas and litigation	Supplier claim: the $1.4 million provision is supported; the class action is a contingent liability, disclosed
4.1.2 Going concern	A signed, credit-approved offer extends the facility to 2029: no material uncertainty
4.1.3 Representations and subsequent events	A partner electrician's liquidation is adjusting (an extra allowance of about $200,000); the $8 million recycling acquisition is non-adjusting and disclosed
4.1.4 Final analytics	Revenue within about 1% of the expectation; the freight jump explained by air freight
4.2.1 Final evaluation	Uncorrected misstatements of about $190,000: not material
4.2.2 Final review and opinion	Engagement quality review completed 24 August; report dated 25 August 2026
4.3 The auditor's report	Unmodified, with two key audit matters; the chair's letter corrected
4.4 Communications and reporting	Significant deficiencies reported to the audit committee; ASIC notified under s311

See also: the Exam Reference Pack, page 11, on who to tell inside the entity and outside it.

Practice questions

MODULE 4 | 4.4.2 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - Report to ASIC?

Jacaranda Holiday Parks Ltd (imagined) is a listed company that runs holiday parks. Its audit produced these four findings. For each, say whether the auditor must report to ASIC, and why.

Finding at Jacaranda Holiday Parks Ltd	Report to ASIC?	Why
(a) The company lent $400,000 to one of its directors. No members' approval was obtained, and no exception applies.		
(b) The company lodged notice of a change to its registered office address with ASIC two weeks late; the directors have since put it right.		
(c) The finance manager altered supplier invoices before giving copies to the audit team, to hide late payment penalties.		
(d) For three months the company hasn't paid its suppliers on time and the bank has refused more credit, yet it keeps ordering on credit.		

Question 2 - Missing financial records

Boobook Bore Drilling Pty Ltd (imagined), a large proprietary company that drills water bores for farms, lost most of its accounting records for the second half of the year when it changed bookkeepers, and couldn't rebuild them. List what the auditor's report must say.

Question 3 - Ready for the AGM

This year Jacaranda's auditor's report includes a key audit matter on the valuation of its holiday parks and a Material Uncertainty Related to Going Concern section. Identify three questions shareholders are likely to ask the auditor at the AGM, and outline your answer to each, keeping within what the auditor may properly discuss.

Worked answers

MODULE 4 | 4.4.2 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Jacaranda's findings

Finding	Report?	Why
(a) Loan to a director	Yes	A financial benefit to a related party of a public company without members' approval breaches a civil penalty provision: likely significant
(b) Late notice of address	Not required	Minor and already fixed: not significant, and adequately dealt with by raising it with the directors. Document the reasoning
(c) Altered invoices	Yes	An attempt to mislead a person involved in the audit: reportable whatever its size, and a suspected fraud for those charged with governance
(d) Buying on credit while unable to pay	Yes	Reasonable grounds to suspect insolvent trading, which ASIC treats as significant; reassess going concern too

Question 2 - Boobook Bore Drilling: what the report must say

- **The opinion, and why it isn't unmodified:** without records for half the year the auditor can't obtain sufficient appropriate evidence, so the opinion is modified (qualified, or a disclaimer if the possible effects are pervasive), and the report must say why the auditor isn't of the opinion that the financial report complies (s308(1)). The basis section explains why the evidence couldn't be obtained.
- **The records deficiency:** that the company didn't keep financial records sufficient to enable a financial report to be prepared and audited, and any information or explanations not provided (s307(b) and (c), s308(3)(b)).
- **Any defect or irregularity** found in the financial report (s308(3)(a)), and the quantified effect of any failure to follow an accounting standard, where practicable (s308(2)).
- **Outside the report:** failing to keep financial records is likely a significant contravention, so notify ASIC under s311 within 28 days, and tell those charged with governance.

Question 3 - Preparing for Jacaranda's AGM

- **'Does the going concern section mean the company will fail?'** No prediction: the section draws attention to the directors' note; the auditor concluded the going concern basis is right while a material uncertainty remains, and the opinion isn't modified because the uncertainty is adequately disclosed.
- **'How did you check the park valuations?'** Describe the work set out in the key audit matter, such as assessing the valuers' competence and objectivity and testing the key assumptions, and point to the valuation note.
- **'Are you independent, given your firm's other work for the company?'** Refer to the independence declaration in the directors' report, the non-audit services and fees disclosed in the notes, and the rules on rotation and prohibited services.
- **Keep within scope** (s250T): the audit, the report, the accounting policies and independence. Don't disclose confidential client information or answer for management's decisions.