

Financial reporting guide

Audit relief for proprietary companies

This publication provides a high-level summary of ASIC Corporations (Audit Relief) Instrument 2016/784, which provides relief to proprietary companies from the audit requirements of the *Corporations Act 2001*, subject to the conditions specified in the instrument being satisfied.

Is relief available to all proprietary companies?

No, audit relief is not available to all proprietary companies. Audit relief under ASIC Corporations (Audit Relief) Instrument 2016/784 is only available to:

- A large proprietary company⁽ⁱ⁾⁽ⁱⁱ⁾.
- A small proprietary company⁽ⁱ⁾ to which paragraph 292(2)(b) of the *Corporations Act 2001* applies (commonly known as a 'foreign controlled small proprietary company')⁽ⁱⁱⁱ⁾.

(i) As defined in the *Corporations Act 2001*.

(ii) Audit relief is not available to a proprietary company that is a disclosing entity, a borrower in relation to a debenture, the guarantor of such a borrower or a financial services licensee.

What are the key conditions that must be satisfied in order to obtain audit relief?

In order for an eligible proprietary company to obtain audit relief under ASIC Corporations (Audit Relief) Instrument 2016/784, there are a number of conditions that must be satisfied, including:

- The company's annual financial report was not audited for a financial year ending during 1993 or any later financial year⁽ⁱⁱⁱ⁾.
- (iii) Except for a financial year of a 'foreign controlled small proprietary company' which ended after 9 December 1995 and before 24 April 1997.
- The directors' declaration for each prior financial year (ended on or after 1 July 1998), and for the current financial year, contains an unqualified statement that there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
 - The company made a profit from ordinary activities after related income tax expense for the current financial year or the immediately preceding financial year (i.e., cannot have two consecutive 'loss' years).
 - The directors of the company have passed a unanimous resolution (for each year of audit relief), within the period commencing 3 months before the start of the financial year and ending 4 months after the end of the financial year, that the annual financial report for the financial year should not be audited.
 - The members of the company (irrespective of whether they hold voting or non-voting shares) have passed a unanimous resolution (for each year of audit relief), within the period commencing 3 months before the start of the financial year and ending 4 months after the end of the financial year, that the annual financial report for the financial year should not be audited.
 - The company prepares management accounts for each quarter (for each year of audit relief) within one month after the end of the each quarter, and the directors have resolved within one month after the end of each quarter that the total liabilities of the company do not exceed 70% of total tangible assets and that the company is able to pay its debts as and when they become due and payable.



Are there any conditions relevant to the (unaudited) annual financial report?

There are a number of further conditions that must be satisfied, which are directly relevant to the (unaudited) annual financial report, including:

- The annual financial report is compiled by a 'prescribed accountant' in accordance with APES 315 *Compilation of Financial Information*, and the compilation report is attached to the annual financial report.
- The directors have resolved that, at the end of the financial year and at the time the resolution is made, the total liabilities of the company do not exceed 70% of total tangible assets.
- The directors' report includes a statement that the annual financial report has not been audited, and the requirements of the instrument have been complied with.
- The annual financial report is lodged with ASIC within 4 months after the end of the financial year.
- No registered company auditor has indicated to the company, any of its directors or other officers that, if the annual financial report of the company were audited, the auditor's report may contain a modified opinion, and there are no material disagreements or unresolved issues between the company and any such auditor in relation to accounting treatments or amounts that may appear in the annual financial report.

What is the deadline for notifying ASIC?

As a condition for obtaining audit relief under ASIC Corporations (Audit Relief) Instrument 2016/784, the company must lodge notice of the directors' and shareholders' resolutions (that the annual financial report should not be audited) with ASIC (using Form 382).

This 'opt-in' notice must be lodged with ASIC within the period commencing 3 months before the start of the financial year and ending 4 months after the end of the financial year, in relation to the first year of audit relief.

Further information and assistance

Contact Pitcher Partners for further information and assistance on the availability of audit relief under ASIC Corporations (Audit Relief) Instrument 2016/784.



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