

# The Financial Report Half Year Review

## What is a half-year review?

- Under the Corporations Act, certain entities (such as Australian listed companies and registered schemes) must prepare a financial report for each half year, in addition to the annual financial report.
- The half-year financial report includes a balance sheet, an income statement, a statement of changes in equity, a cash flow statement, and notes comprising a summary of significant accounting policies and other explanatory notes.
- The report must be reviewed or audited by someone independent of the entity (an independent auditor). Most entities choose to have the report reviewed rather than audited.
- The half-year review is not as extensive as the annual audit. It involves limited procedures consisting mainly of enquiries of selected management and staff of the entity, and some analysis of financial information.
- In reviewing the half-year financial report, auditors must follow those auditing standards applicable to reviews. Auditing standards are set by a government body.
- The review is undertaken so that auditors can report to members on whether they are aware of anything, based on the review procedures they performed, that would suggest that the financial report does not, in all material respects, meet legal requirements and financial reporting standards.
- When the review is completed, auditors write a review report explaining what they have done and giving a statement drawn from their work.

## What don't auditors do in a half-year review?

In a half-year review, auditors do not perform an audit. The extent of their procedures is significantly less than the procedures conducted during an audit. For example, when performing a review auditors do not ordinarily:

- evaluate or test the adequacy of any of the entity's internal controls
- test the entity's accounting records
- test statements by the entity's directors, management and staff by obtaining corroborating evidence (eg through inspecting items, observing activities or confirming with third parties).

As for an audit, auditors undertaking a review do not:

- judge the appropriateness of the entity's business activities or strategies or decisions made by the directors
- comment to members on the quality of directors and management, the quality of corporate governance or the quality of the entity's risk management procedures and controls.

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## What is the review process?

- The entity's management prepares the half-year financial report. It must be prepared in accordance with legal requirements and financial reporting standards.
- The entity's directors approve the half-year financial report.
- Auditors consider matters which arose when the previous year's audit was undertaken. This assists them to identify areas of particular risk of which they need to be aware.
- Auditors make enquiries of selected staff, management and directors on how the entity has addressed these risks and what has been done to ensure the half-year financial report is consistent with the entity's operations for the period.
- Auditors undertake some analysis of the figures in the report in order to identify any unusual items, fluctuations or relationships of the elements of the financial report.
- Auditors consider whether anything came to their attention in the course of the review to suggest that the half-year financial report has not been prepared, in all material respects, in accordance with legal requirements and financial reporting standards.
- Auditors then prepare a review report giving a statement to that effect.