



Media Release

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AICD and AUASB release guidelines to assist company directors assess going concern

With Australian companies and other entities experiencing difficult and uncertain economic conditions, some of the most significant impacts may be in the area of financial reporting - in particular, directors' assessment of their company's ability to continue as a 'going concern'.

With this in mind, the Australian Institute of Company Directors (AICD) and the Auditing and Assurance Standards Board (AUASB) have issued a publication, *Going Concern issues in financial reporting: a guide for companies and directors*, which explains the concept of going concern and assists company directors in performing and reporting on their going concern assessment.

Going concern is a fundamental principle underlying the preparation of the vast majority of annual reports and financial reports of Australian companies. Australian Accounting Standards require directors to consider whether there are material uncertainties that would lead to significant doubt about a company's ability to continue to pay its debts over at least the next 12 months, and to make adequate disclosures in the financial report if uncertainties are identified. Auditors are required by Australian Auditing Standards to evaluate the directors' assessment of the company's ability to continue as a going concern.

AICD chief executive, John Colvin said the publication will provide valuable assistance to directors.

"Difficult or uncertain economic conditions present challenges for directors, who need to ensure that they prepare thoroughly for their assessment of going concern and make appropriate financial report disclosures," Mr Colvin said.

AUASB Chairman, Merran Kelsall said the publication will help company directors address their going concern assessment plans and auditor feedback, prior to the preparation of the financial report, helping to avoid any last minute going concern issues for the organisation.

"Appropriately addressing the auditor's requirements, in the company directors' going concern assessment, is essential to minimise the risk of the auditor issuing a qualified audit opinion due to limitation of scope or inadequate financial report disclosures of going concern issues," Ms Kelsall said.

To assist directors and other stakeholders such as the business media, the guidelines distinguish between the sometimes confusing concepts of 'insolvency' and 'going concern', including an overview of the relevant law to explain what constitutes 'insolvency'.

It examines the distinctions between an 'unqualified opinion with an emphasis of matter' paragraph, a 'qualified' audit opinion and a 'disclaimer' of audit opinion, which are not always well understood by some readers of financial reports. It also explains the nature and range of possible auditor's opinions relating to going concern issues, to enable directors to be better informed of the audit implications.

The publication is specifically aimed at for-profit companies, particularly listed companies, and their directors, but may also be useful for directors of unlisted and other companies, other disclosing entities and non-corporate entities, such as not-for-profits with similar reporting and regulatory responsibilities related to going concern.

It may also provide easy-to-understand information for readers and users of annual reports, including investors and the business media.



The AICD/AUASB Guidelines are now available to download free at www.auasb.gov.au and at www.companydirectors.com.au. Hard copies can be pre-ordered on the AICD website for \$19.95 (members) or \$25 (non-members)

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AICD

The Australian Institute of Company Directors (AICD) is a member institute for directors dedicated to having a positive influence on the economy and society by promoting professional directorship and good governance. AICD delivers education, information and advocacy to enrich the capabilities of directors, influence the corporate governance environment in Australia and promote understanding of, and respect for, the role of directors. With offices in each state and more than 24,000 members, AICD represents a diverse range of corporations, from the top 200 publicly-listed companies to not-for-profits, public sector entities and smaller private family concerns.

AUASB

The Auditing and Assurance Standards Board (AUASB) is an independent, statutory agency of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards. The mission of the AUASB is to develop, in the public interest, high-quality auditing and assurance standards and related guidance, as a means to enhance the relevance, reliability and timeliness of information provided to users of auditing and assurance services. Australian Auditing Standards issued by the AUASB are legally enforceable for audits or reviews of financial reports required by, or in accordance with the *Corporations Act 2001*.