



## AUASB Agenda Paper

### AUASB Action list - From previous meetings

Action	Target Meeting	Comments
The Office of the AUASB to send outstanding minutes to AUASB members for comment and approval.	Out of session	In progress
The Office of the AUASB to identify matters in Treasury Consultation paper on <i>Regulation of accounting, auditing and consulting firms in Australia</i> that could be assisted by providing further background material to Treasury, and present paper to AUASB members on whether to make a submission.	13 June 2024	Agenda item 6
The Office of the AUASB to prepare exposure draft on assurance over sustainability information, including the proposed assurance phasing model and local material to supplement ISSA 5000 under the local reporting framework. The Office of the AUASB to prepare an analysis of the basis for standards and/or guidance the matters under the requirements of the <i>AUASB Due Process Framework</i> .	16 & 17 July 2024	In progress
AUASB members to nominate individuals who could be consulted during the development of local material on Assurance over Sustainability Information by 31 May 2024.	N/A	Done
The Office of the AUASB will prepare a paper on whether to re-expose the final ISSA 5000 <i>General Requirements for Sustainability Assurance Engagement</i> , subject to seeing the final ISSA 5000.	13 June 2024; September 2024	Agenda item 5
ASAE 3500 exposure draft to be issued for 60 day comment period.	N/A	Done
Submission to the IAASB on ISA 240 <i>The Auditor's Responsibilities to Fraud in an Audit of a Financial Report</i> to be finalised after comments from AUASB members at the 31 May 2024 meeting.	N/A	Done
The Office of the AUASB to prepare environmental scan for future full day Board meetings.	From September 2024 meeting	To be developed
Dates to be set for possible one hour virtual meetings.	N/A	Meetings scheduled for 21 June and 27 June 2024. Further meetings to be considered.



# AUASB Agenda Paper

<b>Title:</b>	ISSA 5000 Sustainability Assurance	<b>Date:</b>	13 June 2024
<b>Office of AUASB Staff:</b>	Rene Herman	<b>Agenda Item:</b>	4.1

## Objectives of Agenda Item

1. The objective of this Agenda Item is to seek views from AUASB members on decisions proposed by the ISSA 5000 Taskforce on substantive matters for consideration at the June 2024 IAASB meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

## Questions for AUASB members

3. Questions for AUASB members appear at the end of each topic.

## Background and Previous Discussions on Topic

4. The IAASB Sustainability Taskforce identified the areas that generated the most significant feedback in comments from stakeholders on ED ISSA 5000, survey responses and the IAASB's extensive global outreach. Task force proposals in several areas (see table in paragraph 8) will be discussed at the IAASB June 2024 meeting.
5. Significant topic areas discussed at the March 2024 IAASB meeting are not covered in this Agenda Paper unless the IAASB made substantive changes from the March 2024 IAASB meeting papers previously considered by AUASB members.
6. Board members are not expected review in full, the revised draft ISSA 5000 marked up from the March 2024 version that has been provided to IAASB members, which can be found [\[here\]](#). The June 2024 IAASB meeting will discuss the last significant changes to the proposed ISSA 5000 Exposure Draft before the final standard is voted on at the September 2024 IAASB meeting. Accordingly, it is important that the AUASB highlight any significant issues to be raised with the IAASB.
7. ISSA 5000 is being developed in a relatively tight timeframe drawing mainly on existing IAASB standards and guidance. The IAASB is aiming to issue a final standard in September 2024 for assurance over sustainability information in Europe for years ending 31 December 2024. It is not reasonable to expect that all matters that could be identified for improving or enhancing the draft ISSA 5000 can be addressed by the IAASB in the standard by September. Necessarily the IAASB's work on assurance over sustainability information will continue in future years, including the development of implementation materials (see paragraph 38).

8. Topics covered in this Agenda Paper are:

Topic	Paragraph references in this Agenda Paper
<b><i>New Topics to be discussed at the June 2024 IAASB meeting</i></b>	
Preconditions	9-12
Estimates and Forward Looking	13-15
Fraud	16-18
Communications management and TCWG	19-21
Reporting	22-25
<b><i>Topics discussed at the March 2024 IAASB meeting</i></b>	
Materiality	27-30
Engagement Team, Using the work of Others	31-34
Quality Management and Ethics	35-37

**MOST SIGNIFICANT AMENDMENTS TO ED 5000 PROPOSED (ON TOPICS NOT YET DELIBERATED BY THE IAASB):**

**Preconditions**

9. The AUASB’s submission on the IAASB’s ED-5000 expressed the following main concerns (Question 10 in IAASB’s ED):
  - a. Risk of inappropriate acceptance of an engagement
  - b. Extent of engagement prework
  - c. Understanding the entity’s processes and the sustainability information to be disclosed and assured.
  
10. The Task Force is proposing the following:
  - a. Moving a large amount of detail from the application material to first-time implementation guidance to help to clarify the limited nature of the work effort. Application material would be added to emphasise that the preliminary knowledge and discussion with the appropriate party(ies) required must be “sufficient to establish whether the preconditions are present” (paragraph A154).
  - b. Additional requirements (in line with ISAE 3000) where it is discovered after engagement acceptance that preconditions are not present (paragraphs 76 and 76A).
  - c. Additional application material to include a presumption of rational purpose for engagements required by law or regulation (paragraph A191).
  - d. Additional application material to address considerations in establishing preconditions specific to the public sector, including noting examples that in the public sector environment some preconditions may be assumed to be present (paragraph A159A).
  
11. Understanding the entity’s process was addressed in March 2024 – Refer Agenda Item 2.1 in March 2024 AUASB meeting papers.

12. The Office of the AUASB considers that the Task Force’s proposals address the concerns raised in the AUASB’s submission.

**Question for AUASB members (by exception only): Do members have any concerns that should be raised with the IAASB?**

## Estimates and Forward-Looking information

13. The AUASB’s submission suggested (Question 16 in IAASB ED) that:
- a. the high-level requirements regarding work required to be performed on estimates and forward-looking information should be supplemented by application material including examples and considerations; and
  - b. the practitioner should be required to consider the appropriateness of assumptions used in forward-looking information in limited assurance engagements.
14. While the Task Force is not proposing to require the practitioners to consider the appropriateness of assumptions for forward looking information, it is proposing:
- a. to require the practitioner to obtain an understanding for estimates and forward-looking information, how the entity identifies the relevant methods, assumptions or sources of data, and the need for changes in them, that are appropriate in the context of the applicable criteria (paragraph 105A(c)).
  - b. New application material that:
    - it may be appropriate to undertake one or more reasonable procedures in a limited assurance engagement (paragraph A392AL).
    - the further into the future the period that assumptions relate to is, the greater the estimation uncertainty (paragraph A391).
    - procedures performed (e.g. over future strategy) are not intended to provide assurance over the occurrence of future events or the achievement of targets disclosed by management (paragraph A391A); and
    - what the practitioner’s procedures related to forward-looking information may include (paragraphs A391BR).
    - on the development of a point estimate or range to evaluate management’s estimate or forward-looking information (paragraphs A396AR and A396BR).
15. The Office of the AUASB considers that the Task Force’s proposals largely address the concerns raised in the AUASB’s submission.

**Question for AUASB members (by exception only): Do members have any concerns that should be raised with the IAASB?**

## Fraud

16. The AUASB’s submission was largely supportive of the way fraud had been dealt with but suggested additional guidance, including examples, linking intentional bias with fraud and unintentional bias with management error (Question 19 in IAASB ED).
17. The Task Force is proposing the following:
- a. Additional application material on management bias and intentional misstatements (A24A and A24B).

- b. A new requirement for the practitioner to treat risks of management override of controls as risks of material misstatement due to fraud at the upper end of the spectrum of risk for reasonable assurance engagements (paragraph 110AR). The IAASB's view is that the practitioner should not be required to obtain an understanding of *all* of the components of the entity's internal control in a limited assurance engagement, or evaluate the design and implementation of controls unless the practitioner plans to obtain evidence by testing the operating effectiveness of controls.
18. The Office of the AUASB considers that the Task Force's proposals largely address the concerns raised in the AUASB's submission.

**Question for AUASB members (by exception only): Do members have any concerns that should be raised with the IAASB?**

## Communications

19. The AUASB's submission commented that the practitioner should be required to:
- a. communicate with TCWG on a timely basis throughout the engagement; and
  - b. a practitioner who provides assurance on the sustainability information would communicate with the financial statement auditor to identify material inconsistencies and misstatements.
20. On communication:
- a. The Task Force is proposing to require timely communication with TCWG (paragraph 62); and
  - b. The IAASB decided at its March 2024 meeting that a practitioner should be required to communicate with the financial statement auditor if a material inconsistency is identified between the sustainability information and the financial statements (paragraph 158(a)).
21. The communication between the practitioner and the financial report auditor should be part of the process to identify material inconsistencies and misstatements of fact rather than being conditional on having first identified a material inconsistency. Given that the matter was discussed and decided at the IAASB meeting in March 2024, it is unclear as to the appetite of the IAASB to reopen this matter at the June 2024 meeting.

**Question for AUASB members (for discussion): Should the practitioner be required to communicate with the financial statement auditor to assist in identifying material inconsistencies between the sustainability report and financial report?**

## Reporting

22. The AUASB's submission commented that:
- a. limited assurance reports should better explain the differences in the nature and extent of procedures between limited assurance and reasonable assurance ; and
  - b. multiple example reports should be provided to aid with consistency and comparability.
23. The Task Force does not propose to address these suggestions at this time because:
- a. Most respondents agreed that the Basis for Conclusion section of the assurance report gives sufficient prominence to statements about the difference in procedures performed in a limited assurance engagement versus a reasonable assurance engagement. It is not proposed to include further guidance or examples for the Summary of Work Performed section. The matters to include are for professional judgment with regard to factors such as the sustainability information, the nature and size of the reporting entity, the system of

internal control, the sources of information/data and the engagement team's overall strategy and approach.

- b. The introduction, requirements, application material and example reports clearly articulate that the procedures and level of assurance are substantially lower for limited assurance than for reasonable assurance.
  - c. Additional example reports will be considered for the first-time implementation guidance or other guidance supporting the application of ISSA 5000.
24. The majority of stakeholders including the AUASB felt that the equivalent of 'key audit matters' should not be required. The Task Force does not propose to introduce a requirement.
25. The Office of the AUASB considers that the Task Force's proposals address the concerns raised in the AUASB's submission.

**Question for AUASB members (by exception only): Do members have any concerns that should be raised with the IAASB?**

## **MOST SIGNIFICANT ADDITIONAL AMENDMENTS TO ED 5000 (FOLLOWING ON FROM MARCH 2024):**

26. As noted in paragraph 5 of this Agenda Paper, several significant topic areas were discussed and largely concluded on at the March 2024 IAASB meeting. The topics with substantive change from the March 2024 meeting papers previously considered by AUASB members are summarised below.

### **Auditor Materiality; Entity Materiality; Entity's Identification of Matters to Disclose**

27. The AUASB's submission suggested that the IAASB could consider:
- a. additional guidance and examples on the practitioner's materiality (Question 8 of the IAASB ED);
  - b. appropriately explaining 'double materiality' and distinguishing reporting materiality from the practitioner's consideration or determination of materiality, as well as providing additional examples under other frameworks (Question 11 of the IAASB ED);
  - c. to avoid any confusion with the practitioner's materiality process, the IAASB should one term: 'process to identify reporting topics' (Question 8 of the IAASB ED); and
  - d. examples to guide practitioners in making judgements on qualitative disclosures (e.g. description of the business) (Question 25 of the IAASB ED).
28. In addition to changes at the March 2024 IAASB meeting, the following has been proposed for the June 2024 meeting on the entity's process for identifying matters to be disclosed (termed 'materiality process' in the draft ISSA 5000):
- a. a new requirement (paragraph 105A)(c)) to understand the entity's information systems and communications relevant to the sustainability information and its preparation, including for estimates and forward-looking information how the entity identifies the relevant methods, assumptions or sources of data. This requirement applies for both limited assurance and reasonable assurance. The procedures that flow on from that understanding would differ.
29. At its March 2024 meeting, the IAASB agreed to a conditional requirement for the practitioner to apply double materiality when considering or determining materiality, if the applicable reporting framework requires it to be applied by the entity (paragraph 91A). This is a change from the proposals in the March 2024 IAASB meeting papers.

30. While there may be a benefit in more guidance and examples on the auditor's materiality and evaluation of errors, it is not practicable for the IAASB to develop such material for inclusion in the final ISSA 5000 before it is issued in September 2024.

**Question for AUASB members (by exception only): Do members have any concerns that should be raised with the IAASB?**

## Engagement Team; Using the Work of Others

31. While ISA 5000 ED drew on existing standards such as ISA 620, matters raised on competency and expertise in the AUASB submission for consideration by the IAASB included (Questions 4, 15 and 25 of the IAASB ED):
- a. the practical implementation of the requirements of ISSA 5000 for assurance by others on entities outside of the entity's organisational boundaries in areas such as:
    - assessing competencies and independence;
    - accessing information in the absence of contractual rights and proprietary information and what this may mean for scope limitations;
    - determining whether the work is adequate for the practitioner's purposes, particularly when the other practitioner is performing work related to the entity's value chain and there are no contractual rights to access information;
    - knowledge of sustainability subject matters and underlying context; and
    - unaligned reporting timeframes of entities up/down stream;
  - b. strengthened application material to encourage the use of the assurance provider's own experts particularly for more complex entities/industries. This includes an expectation of the greater use of experts owing to the complexity and breadth of sustainability information that will be reported, as well as clarifying when a practitioner's expert is expected to be engaged;
  - c. strengthening requirements and guidance in relation to the use of experts for both sustainability assurance and financial report assurance;
  - d. requiring the practitioner to understand whether the expert has sufficient understanding of the assurance process;
  - e. requirements or guidance for instances where an assurance practitioner uses an expert or firm of experts in relation to information that is so significant (in materiality and/or the risks associated with that information) that the assurance practitioner should consider the quality management processes and ethical requirements applied by the expert or the expert's firm. This may be particularly important where a team is used by the expert in undertaking their work;
  - f. whether for assurance over a narrow piece of information requiring highly specialised technical expertise, different quality management and ethical requirements could be applied by non-accountant practitioners that are more relevant and appropriate than requirements at least as demanding as ISQM 1 and the Code of Ethics. For example, assurance over the entity's assessment of soil quality which requires an understanding of chemical and other properties relevant to the current and future use of soil by the entity or entities in its value chain, and the use and replacement of minerals consumed in use of the land and current levels and expected trends in salinity. This may require particular approaches to review and re-testing that are not contemplated by ISQM 1 while some elements of ISQM 1 may not be as important or relevant to this narrow piece of assurance work;

- g. paragraph 172 seems to be inconsistent with paragraphs 14 and 15 of ISA 620. Paragraph 172 seems to focus on not reducing the assurance practitioner's responsibility if reference is made to the work of a practitioner's expert in the assurance report, whereas paragraph 14 of ISA 620 explicitly states that the auditor shall not refer to the work of an auditor's expert unless it is specifically required by law or regulation, or it is appropriate to be included in a modified report;
  - h. requiring assurance providers to report on the use of their own experts as a means to promote the use of experts. The nature of the work of the expert, their competence and objectivity could be covered. There should be a statement that using the work of an expert does not in any way diminish the responsibility of the auditor and the experts should not be named;
  - i. guidance that a significant depth of specialist expertise will be required for many sustainability assurance engagements, given the breadth of subject matters; and
  - j. strengthening the expectation of the engagement leader and team member competencies and the strong need to use experts throughout the conduct of these engagements beginning at the pre-conditions stage of the engagement.
32. The IESBA has also developed material on competency and expertise that goes beyond that in the draft ISSA 5000. While no mapping has been performed between the draft IESBA standards and the draft ISSA 5000, we understand that the IAASB and IESBA have a process to ensure that material is not inconsistent.
33. At its March 2024 meeting, the IAASB agreed to a new conditional requirement in paragraph 51A and related application material on the practitioner's use of an assurance report of another practitioner relating to information from an entity in the value chain. Significant amendments since the proposals in the March 2024 IAASB meeting papers include:
- a. Noting that "a report of another practitioner that has been designed for the purpose of conveying assurance to other user entities and their assurance practitioners across a value chain" is referred to throughout the proposed standard as a "one-to-many report" (paragraph 51A).
  - b. Guidance that the one-to-many report may identify complementary user entity controls and, if relevant, assurance over design and implementation may be required (paragraph A107H). Conditional requirements for the practitioner to understand such user entity controls are in paragraphs 107R and 108L.
  - c. Guidance for the practitioner on actions where a one-to-many report is not available and neither management nor the practitioner have any rights of access for entities in the value chain that are outside of the reporting entity's operational control (paragraph A107I).
34. While there may be a benefit in addressing the matters raised in the AUASB's submission, it is not practicable for the IAASB to develop such material for inclusion in the final ISSA 5000 before it is issued in September 2024. Some matters might be considered for local material.

**Question for AUASB members (for discussion): Do members consider that the matters in the AUASB submission on competency and expertise that have not been addressed should be raised with the IAASB?**



## Quality Management and Ethics

35. ED ISSA 5000 requires practitioners to report compliance with requirements 'at least as demanding' as the IESBA Code of Ethics and ISQM 1. The proposals in the March 2024 IAASB meeting papers were accepted:

*Extract from draft standard (in relation to quality management):*

'The engagement leader shall be a member of a firm that applies: (Ref: Para. A53-A58)

- (a) ISQM 1;
- (b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as ISQM 1; or (Ref: Para: A58A-A58B)
- (c) If (a) or (b) are not relevant in the circumstances, professional requirements, or requirements in law or regulation, that the firm determined to be at least as demanding as ISQM 1. (Ref: Para A58C)'

*Extract from draft standard (in relation to ethical requirements):*

'The practitioner shall comply with relevant ethical requirements, including those related to independence, that comprise:

- (a) The provisions of the IESBA Code related to sustainability assurance engagements and, when relevant, national requirements that are more restrictive;
- (b) Professional requirements, or requirements in law or regulation, that an appropriate authority has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements; or (Ref: Para: A48-A48A)
- (c) If (a) or (b) are not relevant in the circumstances, professional requirements, or requirements in law or regulation that the firm has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements. (Ref: Para A48B)'

36. The IAASB also agreed to require the following at its March 2024 meeting:
- a. The practitioner to document the basis for their determination where (c) applies for either quality management or ethics; and
  - b. In addition to the assurance report stating that the firm complies with ISQM 1/IESBA Code or other requirements at least as demanding, where other professional requirements are applied, the statement to identify those requirements and disclose the name of the practitioner or appropriate authority that has determined those requirements to be at least as demanding as ISQM 1/IESBA Code.
37. The AUASB submission raised concern that some national standard setters may not be able to set requirements to comply with quality management or ethical standards (Question 4 of the IAASB's ED). No changes are being made to ISSA 5000 to address this point and it has already been discussed with IAASB representatives.

**Question for AUASB members (by exception only): Do members have any concerns that should be raised with the IAASB?**

## IAASB plans for implementation support materials

38. For information, the planned initial implementation support materials and the planned timing for their publication is shown in the table below. Except where stated the matters to be covered are not yet available.

# AUASB Agenda Paper

Implementation support materials	Timing of publication
Basis for Conclusions	To be issued with the final standard after PIOB certification of ISSA 5000
Fact Sheet	
First-Time Implementation Guide	
Guidance on the scope and applicability of ISSA 5000 (targeted at jurisdictions)	To be issued in due course after ISSA 5000 is published
Guidance on quality management relevant to sustainability assurance	
Updated ISSA 5000 FAQs	

## Next steps/Way Forward

39. The Office of the AUASB will continue to monitor developments on the proposed ISSA 5000 and update AUASB members on any significant matters before the AUASB considers adopting the final ISSA 5000.



# AUASB Agenda Paper

<b>Title:</b>	ISA 570 <i>Going Concern</i>	<b>Date:</b>	13 June 2024
<b>Office of AUASB Staff:</b>	Anne Waters / Rebecca Mattocks	<b>Agenda Item:</b>	4.2

## Objectives of Agenda Item:

1. To update the AUASB members on the first set of proposed amendments for significant matters from respondents' comments to the IAASB Exposure Draft of the Revised ISA 570, *Going Concern* (ED-570) being considered by the IAASB at its June 2024 meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

## Questions for AUASB members

No.	Question
1	Do AUASB members agree that there are no matters that should be raised with the IAASB on the main proposed changes to the ISA 570 ED that will be considered at the IAASB's June 2024 meeting: <ul style="list-style-type: none"><li>• Definition of Material Uncertainty (Related to Going Concern) – refer to Paragraphs 7-9 of this Agenda Paper;</li><li>• Risk Identification and Assessment – Refer to Paragraph 10 of this Agenda Paper;</li><li>• Implications for the Auditor's Report – refer to Paragraphs 11-15 of this Agenda Paper; and</li><li>• Written Representations – refer to Paragraph 16 of this Agenda Paper?</li></ul>
2	Do AUASB members have comments on the proposed 'Next steps/Way forward' for the AUASB as outlined at the end of this Agenda Paper?

## Background and Previous Discussions on Topic

3. In May 2023, the AUASB issued its consultation paper on the IAASB's Proposed ISA 570 (Revised), *Going Concern* (ED-570), as a 'wrap-around' of the IAASB ED.
4. The AUASB submission to the IAASB on ED-570 can be found [here](#). In its submission, the AUASB:
  - a. supported the IAASB's efforts to strengthen the auditor's evaluation of management's assessment of going concern and improve transparency in the auditor's report;
  - b. underscored the importance of the IAASB continuing to encourage the IASB to enhance the financial reporting requirements on going concern;
  - c. raised several changes for consideration by the IAASB, including:
    - i. Providing further clarity on the work effort required by the auditor in circumstances where no events or conditions may cast significant doubt on the entity's ability to continue as a going concern and where management has not

performed a detailed assessment. This is covered by the GC TF proposals for the June 2024 IAASB meeting – refer to Paragraph 16 of this Agenda Paper.

- ii. Including the auditor’s evaluation of management’s plans and future actions in the definition of Material Uncertainty (Related to Going Concern). This is covered by the GC TF proposals for the June 2024 IAASB meeting - refer to Paragraph 7 of this Agenda Paper.
- iii. Ensuring that the proposed explicit statement on going concern is not misinterpreted as a separate opinion on going concern and as guaranteeing the future viability of the entity. This is covered by the GC TF proposals for the June 2024 IAASB meeting - refer to Paragraph 12 of this Agenda Paper.
- iv. Extending the additional transparency requirements for the auditor’s report beyond listed entities. This will be considered at a future IAASB meeting.

5. The high-level feedback provided in submissions to the IAASB included:

*Public Interest Issues*

- Broad support that the proposals in ED-570 are responsive to the public interest, noting that:
  - Requiring a more robust evaluation of management’s assessment of the entity’s ability to continue as a going concern and introducing greater transparency about the auditor’s responsibilities and work related to going concern can contribute favourably to audit quality.
  - The considerations for scalability and proportionality ensure that the proposed revisions can be consistently applied regardless of an entity’s nature, size, and complexity.
- Broad support for the IAASB to continue to engage and liaise with the IASB to improve the IFRS Accounting Standards for going concern, including promoting enhancements to the requirements in IAS 1 *Presentation of Financial Statements* for going concern.
- Concerns that some proposals in ED-570:
  - Create a perception that the auditor is more responsible than management for assessing and safeguarding the entity’s ability to continue as a going concern.
  - Are outside of the remit of the IAASB as they aim to rectify perceived deficiencies in the financial reporting framework or would impose financial reporting requirements on management.

*Enhanced Auditor’s Judgements and Work Related to Going Concern*

- Encouragement to emphasise the role and responsibilities of management and those charged with governance to prepare timely and robust assessments of going concern as a basis for the auditor’s evaluation.
- Concerns that the proposals to provide explicit statements relating to going concern in the auditor’s report, while enhancing transparency, would not narrow the expectation gap.

## Proposals to be considered at June 2024 IAASB meeting

6. For the June 2024 IAASB meeting, the Going Concern Task Force (GC TF) has focused on matters where stakeholders provided mixed feedback. These matters are discussed below. The IAASB will consider other feedback at its September 2024 meeting.

### *Definition of Material Uncertainty (Related to Going Concern)*

7. The GC TF is proposing the following amended definition of Material Uncertainty (Related to Going Concern):

‘10. An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. “May cast significant doubt” is used to refer to circumstances where the magnitude of its the potential impact and likelihood of occurrence of the identified events or conditions is are such that, in the auditor’s professional judgment, unless management’s plans for future actions mitigate their effects, the entity may be unable to meet its obligations and continue its operations for the foreseeable future. appropriate disclosure of the nature and implications of the uncertainty is necessary for: (Ref: Para. A4–A5A)

~~(a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or~~

~~(b) In the case of a compliance framework, the financial statements not to be misleading.’~~

8. Stakeholders considered that:

- a. Referring to the ‘auditor’s professional judgment’ would be inconsistent with any identification of the material uncertainty by management when assessing the entity’s ability to continue as a going concern.
- b. Referring to ‘disclosures’ may create confusion given that the auditor’s conclusion as to whether a material uncertainty exists precedes the auditor’s assessment of the adequacy of management’s disclosures. The application material on disclosures would be retained (paragraph A5A).
- c. The phrase ‘may cast significant doubt’ is needed because a material uncertainty results from unresolved events or conditions that may cast significant doubt. There would also be a clearer link to management’s plans to mitigate their effect.

9. The Office of the AUASB considers that the proposed wording addresses the concerns raised by the AUASB in its submission to the IAASB in this regard.

### *Risk Identification and Assessment*

10. The main change proposed by the GC TF to Paragraph 11 is to cover the auditor’s identification of whether any events or conditions that may cast doubt in addition to those identified by management. This has been elevated from application material:

‘11. When designing and performing risk assessment procedures as required in applying by ISA 315 (Revised 2019), and by paragraph 12, the auditor shall design and perform risk assessment procedures to obtain consider whether the audit evidence obtained indicates that that provides an appropriate basis for the identification of events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern. In doing so, the auditor shall consider events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern before consideration of any related mitigating factors included in management’s plans for future actions. (Ref: Para. A6–A14)’

## Implications for the Auditor's Report

11. Stakeholders had some concerns with the proposal to include explicit statements about going concern in the auditor's report:
  - a. The misalignment between management's and the auditor's responsibilities and creating a perception that the auditor has greater responsibility than management for going concern (i.e. widening the expectation gap); and
  - b. The risk of becoming a boilerplate disclosure that is overlooked by intended users.
12. Given the public interest value of greater transparency to users of financial statements that the auditor has fulfilled their responsibilities in relation to going concern, the GC TF proposes that the explicit statements in the auditor's report about going concern be retained but refined as follows:
  - '33. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A67–A68)
    - (a) State that ~~the auditor~~: (Ref: Para. A69–A70)
      - (i) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor Concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; ~~and~~
      - (ii) Based on the audit evidence obtained, the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; ~~and~~ and
      - (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.
    - (b) For an audit of financial statements of a listed entity, when significant judgements are made by management in concluding that there is no material uncertainty related to if events or conditions ~~have been identified~~ that may cast significant doubt on the entity's ability to continue as a going concern ~~but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists~~: (Ref: Para. A71–A72, A78)
      - (i) Include a reference to the related disclosure(s), ~~if any~~, in the financial statements; and (Ref: Para. A61–A64, A66)
      - (ii) Describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A73–A77)'
13. The proposed refinements to paragraph 33 aim to:
  - a. address concerns that explicit statements about going concern may imply a separate audit opinion on going concern in addition to the opinion on the financial statements as a whole (Ref: Para. 33a(i));
  - b. minimise the likelihood that users may misinterpret the auditor's responsibilities and conclusions about management's use of the going concern basis of accounting as a guarantee of the entity's future viability (Ref: Para. 33a(iii)); and

- c. clarify the threshold of 'events of conditions' by proposing to introduce 'significant management judgment' as part of the threshold that would trigger additional reporting about going concern for listed entities (Ref: Para. 33b).
14. To be further considered by the GC TF after the June 2024 IAASB meeting:
  - a. The GC TF considers that extending the differential requirements for listed entities to apply to PIEs should be considered after the Listed Entity and PIE Task Force has sufficiently progressed their analysis of respondents' feedback on the Exposure Draft for PIE Track 2.
  - b. The GC TF acknowledges differing stakeholder views regarding the reporting of going concern "close calls" in a separate Going Concern section rather than in Key Audit Matters. The GC TF will consider the matter after analysis of respondents' feedback on proposals for fraud-related KAMs in ED-240 (Fraud) has been sufficiently progressed by the Fraud Task Force.
15. The Office of the AUASB considers that the proposed changes to Paragraph 33 of ED-570 address the concerns raised by the AUASB in its submission to the IAASB. The AUASB's submission recommended requiring 'close calls' in a separate section of the audit report for all types of entities, not just listed entities or PIEs given the importance of alerting users to such matters.

## *Written Representations*

16. In response to views that ED-570 introduces a more robust approach to evaluating management's assessment in all instances and irrespective of whether events or conditions are identified that may cast significant doubt, the GC TF proposes a stronger requirement for the auditor to obtain written representations from management:

'37A. The auditor shall request written representations from management<sup>12</sup> and, where appropriate, those charged with governance addressing: (Ref: Para. A86)

  - (a) Whether management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
  - (b) That management's assessment of going concern reflects all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management is aware of, and all such events or conditions, if any, have been disclosed to the auditor; and
  - (c) That the financial statements, in view of the requirements of the applicable financial reporting framework, adequately disclose all the matters of which management is aware that are relevant to the entity's ability to continue as a going concern.'

## **Next steps/Way forward**

17. Following the June 2024 IAASB meeting, the GC TF will continue to discuss the key themes and make further revisions, as needed, to the proposed ISA 570 (Revised), *Going Concern*. The GC TF will also continue to develop proposals in response to the comments received on exposure for the remaining questions of ED-570 (Questions 3, 8, 9, 10, 16 and 17), which will be discussed at the September 2024 IAASB meeting. We will bring a paper on these matters to the AUASB's September meeting.



# AUASB Agenda Paper

<b>Title:</b>	Technology Position	<b>Date:</b>	13 June 2024
<b>Office of AUASB Staff:</b>	Rene Herman	<b>Agenda Item:</b>	4.3

## Objectives of Agenda Item

1. The objective of this Agenda Item is to seek views from AUASB members on matters being discussed at the upcoming IAASB meeting on how to shape the IAASB's Technology Position.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

## Questions for AUASB members

Questions for AUASB members
Do AUASB members have any comments on the IAASB's proposed Technology Position as outlined in the <a href="#">Technology Position - Issues Paper</a> to be discussed at the IAASB's June 2024 meeting?
For technology used by audited entities, do AUASB members support: <ul style="list-style-type: none"><li>• extensive revisions to a large number of auditing standards to address and by auditors; or</li><li>• limited revisions focused on principles and addressing any impediments in standards to using technology in audits, accompanied by guidance?</li></ul>

## Background

3. The IAASB's [Strategy and Work Plan For 2024–2027](#) (SWP 2024-2027) includes a commitment by the Board to develop a Technology Position in 2024 that addresses the impact of technology on the IAASB's standards, including the Board's vision and roadmap. The Technology Position will inform the Board's activities.
4. The following proposed Technology Position Statement will be discussed at the upcoming IAASB meeting.

**Commitment to the Public Interest:** The IAASB recognizes the transformative potential of technology in achieving more consistent performance of quality engagements in the public interest in its standard-setting and other related activities, including developing (or facilitating the development) of non-authoritative materials.

The following key principles will guide the Board in building on this commitment:

- **Embracing Innovation by Practitioners and Firms:**

The Board embraces technology-driven innovations in engagements and systems of quality management (SOQMs) that lead to more consistent performance of quality engagements. The Board will ensure that the standards facilitate and, where appropriate, encourage the use of technology in engagements and SOQM.
- **Removing Artificial Barriers in the Standards:**



The Board will identify and remove artificial barriers in the standards that deter practitioners from using technology-enabled procedures that could elevate engagement quality, while preserving the foundational value of core auditing and assurance concepts and principles.

- **Ensuring Scalability and Flexibility:**

The Board acknowledges that the use of technology is not always necessary in engagements and that relatively unsophisticated technological resources can be adequate in some SOQMs. The Board is committed to retaining scalability in the standards to meet the unique needs of each engagement and firm, allowing practitioners to determine the necessity of technology based on specific circumstances.

- **Exploring Requirements for Determining whether Technology-Enabled Procedures are Necessary in Engagements:**

The Board will explore introducing requirements for practitioners to determine whether technology-enabled procedures are necessary to achieve engagement objectives. If such requirements are introduced, the Board will also provide application material to help practitioners make that determination.

- **Exploring the Impact on the Standards of Technology used by Entities:**

The Board recognizes that the use by entities of increasingly sophisticated technologies in financial reporting and other external reporting introduces new risks. The Board will evaluate, for current and future standard-setting projects, whether its standards provide sufficient guidance for practitioners to appropriately identify, assess, and respond to these new risks.

- **Strengthening the Guardrails in the Standards:**

To safeguard engagement quality and maintain public trust, the Board is committed to strengthening the guardrails in the standards, ensuring appropriate technological resources are obtained, developed, implemented, maintained, and used effectively.

- **Continuous Engagement and Refinement:**

The IAASB will maintain ongoing dialogue with stakeholders, ensuring transparency and monitoring the effectiveness of technology-related revisions. This continuous process, guided by the [Public Interest Framework](#), focuses on balancing stakeholder interests and ensuring robust, implementable, scalable, enforceable standards that enhance the reliability of external reporting and the efficiency of capital markets.

5. The IAASB proposes to perform a gap analysis to identify areas that fall short of the principles outlined in the Position Statement. The objective would be to pinpoint specific gaps that need to be addressed to align with the Position Statement's principles.

## Next steps/Way Forward

6. The Office of the AUASB will continue to monitor developments on the IAASB's Technology Position and update AUASB members on significant developments.



# AUASB Agenda Paper

<b>Title:</b>	ISSA 5000 re-exposure	<b>Date:</b>	13 June 2024
<b>Office of AUASB Staff:</b>	Rene Herman	<b>Agenda Item:</b>	5

## Objective of Agenda Item:

1. The objective of this Agenda Item is to seek a preliminary decision from the AUASB as to whether the final ISSA 5000 *General Requirements for Sustainability Assurance Engagements* should be re-exposed in Australia.

## Question for AUASB

Question for AUASB
Does the AUASB tentatively decide not to re-expose the final ISSA 5000 in Australia, subject to seeing the final standard?

## Background

2. The IAASB issued an exposure draft of the proposed ISSA 5000 (ED ISSA 5000) in August 2023. The AUASB issued a consultation paper seeking comments on ED ISSA 5000 in August 2023.
3. After extensive outreach in Australia, the AUASB provided [a submission](#) on [ED ISSA 5000](#)<sup>1</sup>.
4. The IAASB's ISSA 5000 Task Force identified the areas that generated the most significant feedback from stakeholders on ED ISSA 5000. Changes to the proposed ISSA 5000 to address the first of these areas were discussed at the March 2024 IAASB meeting and changes for the remaining areas will be discussed at the upcoming June 2024 meeting.
5. The objective set out in the IAASB's Project Proposal was to develop a new overarching standard for assurance on sustainability reporting that is:
  - a. Responsive to the public interest need for a timely standard that supports the consistent performance of quality sustainability assurance engagements;
  - b. Suitable across all sustainability topics, information disclosed about those topics, and reporting frameworks; and
  - c. Implementable by all assurance practitioners.
6. ISSA 5000 is being developed in a relatively right limited timeframe drawing mainly on existing IAASB standards and guidance. The IAASB is aiming to issue a final standard in September 2024 for assurance of sustainability information in Europe for years ending 31 December 2024. It is not reasonable to expect that all matters that could be identified for improving or enhancing the draft ISSA 5000 can be addressed by the IAASB in the standard by September. Necessarily the IAASB's work on assurance over sustainability information will continue in future years, including the development of implementation materials.

<sup>1</sup> Exposure Draft – Proposed ISSA 5000, General Requirements for Sustainability Assurance Engagements

## Considerations for re-exposure

7. The AUASB Due Process Framework contains criteria for re-exposure of standards. The criteria and how they apply for the final ISSA 5000 are summarised in the table below:

Paragraph reference	Criterion	Comments	Supports re-exposure?
72a), 73	<p>The nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed.</p> <p>To determine whether proposed standard changed substantially from the ED, the Board considers whether the objectives of the project have changed or if significant new requirements or recommended practices, that would cause a major change in practice, have been introduced. Additionally:</p> <p>a) changes impacting on potential compelling reasons modifications to international standards adopted in Australia, are generally considered to be significant changes;</p> <p>b) where key elements of the exposed standard have been modified in response to comments received on exposure to clarify and enhance understanding, re-exposure is generally not required as long as the Board considers the key elements of the ED have been retained;</p> <p>c) matters relating to the structure or presentation of a standard will typically not warrant re-exposure.</p> <p>The more extensive and/or fundamental the changes to the original ED and current practice are, the more likely it is that the revisions to the ED will have a significant impact on Australian stakeholders and that the proposals therefore should be exposed for a second time.</p>	<p>In relation to these criteria:</p> <ul style="list-style-type: none"> <li>• The objective of the project as outlined in paragraph 5 of this Agenda Paper has not changed.</li> <li>• The changes proposed to requirements and recommended practices since the ISSA 5000 ED are not so significant as to cause a major change in practice. See paragraph 9 of this agenda paper regarding the changes.</li> <li>• The key elements of the ED have been retained.</li> <li>• Australian specific material will be the subject of an exposure draft.</li> <li>• Respondents to the March 2024 <a href="#">AUASB Consultation Paper – Assurance over Climate and Other Sustainability Information</a> gave overwhelming support for ISSA 5000 to be adopted in Australia for assurance over climate disclosures under the Australian reporting framework, and for voluntary assurance over any other climate and sustainability information.</li> </ul> <p>All of the areas of change proposed by the IAASB were public at the time of the AUASB Consultation Paper. The March 2024 had decided on the first round of changes. The</p>	No

## AUASB Agenda Paper

Paragraph reference	Criterion	Comments	Supports re-exposure?
		second and final round of changes are discussed in Agenda Paper 4.1.	
72b)	The nature and extent of new substantive issues not considered during the initial consultation;	See above.	No
72c)	For international equivalent standards, whether there are unique factors in Australia driving re-exposure (ensuring that any re-exposure does not conflict with the AUASB's policy of convergence to international standards).	Australian specific material will be the subject of an exposure draft.	No
72e)	The nature and extent of input from stakeholders and whether: <ul style="list-style-type: none"> <li>i. further consultation with those stakeholders is required; or</li> <li>ii. additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard</li> </ul>	The AUASB will consult for the development of Australian specific material.	No
72d)	Whether any persuasive or significant new evidence has been identified which may impact recommended changes to the proposed standard.	We are not aware of any such evidence.	No
74	The impact of delaying implementation due to re-exposure against the relative urgency and importance of any additional changes to a proposed standard. The Board considers the additional steps it has taken to consult with stakeholders since issuing the ED and whether using committees or targeted consultation could provide the Board with information to support a decision to finalise a revised draft without re-exposure. The Board considers whether any implementation support, for example, the issuance of additional non-authoritative implementation guidance material or staff FAQs would address concerns.	The Australian equivalent of ISSA 5000 is needed by the end of December 2024 for assurance on reporting by Group 1 entities from years commencing 1 January 2025 and voluntary assurance. This is unlikely to be achievable if the final ISSA 5000 were to be re-exposed after it is issued by the IAASB in September 2024. It would also delay the making of any local pronouncement supplementing the equivalent of ISSA 5000.	No

8. Stakeholder feedback indicated strong support for ED-ISSA 5000, in particular with reference to the rapid speed of development, the broad global baseline, the underpinning by ethics and quality management and covering the entire engagement.

# AUASB Agenda Paper

9. The main areas of change (see also version of ISSA 5000 marked up for changes from ED-ISSA 5000 in Agenda Paper 5.1) were:

<b><i>Changes proposed in March 2024 IAASB meeting papers (Refer Agenda Item 2.1 for March 2024 AUASB meeting)</i></b>
<i>Entity's 'materiality process' (i.e. identification of required disclosures)</i> <ul style="list-style-type: none"><li>• Evaluating or assessing the entity's 'materiality process'</li><li>• Guidance to clarify concept of materiality</li></ul>
<i>Practitioners' materiality</i> <ul style="list-style-type: none"><li>• Guidance on multiple materialities, performance materiality, qualitative disclosures and aggregation of misstatements</li></ul>
<i>Group engagements</i> <ul style="list-style-type: none"><li>• Requirements for timely and ongoing communication</li><li>• Leverage more from ISA 600 (Revised)</li></ul>
<i>Relationship with ISAE 3410</i> <ul style="list-style-type: none"><li>• ISSA 5000 to cover assurance on emissions, replacing ISAE 3410</li></ul>
<i>Limited Assurance work effort</i> <ul style="list-style-type: none"><li>• Risk assessment for limited assurance</li><li>• Greater differentiation in work effort between limited and reasonable assurance</li><li>• Extent of understanding of the system of internal control for limited assurance</li></ul>
<b><i>Changes decided at March 2024 IAASB meeting (Refer Agenda Paper 4.1)</i></b>
<b><i>Proposed changes in June 2024 IAASB meeting papers (Refer Agenda Paper 4.1)</i></b>

## Recommendation

10. The Office of the AUASB recommends that the AUASB tentatively decide that re-exposure of ISSA 5000 is not necessary, subject to seeing the final standard.
11. This position would be reviewed at the first AUASB meeting after the final ISSA 5000 is issued by the IAASB or out of session.



# AUASB Agenda Paper

<b>Title:</b>	Treasury Consultation Paper – Regulation of accounting, auditing, and consulting firms	<b>Date:</b>	13 June 2024
<b>Office of the AUASB Staff:</b>	Rajen Pillay	<b>Agenda Item:</b>	6

## Objective of this Agenda Paper

1. The objective of this Agenda Item is to seek feedback from AUASB members on the recommendation that the AUASB should not make a formal submission on the Treasury Consultation Paper dated May 2024 on [Regulation of accounting, auditing, and consulting firms in Australia](#) (the CP).

## Question for AUASB members

<b>Question for AUASB members</b>
Do AUASB members agree that the AUASB should not make a submission on the CP?

## Background

2. On 6 August 2023, the Government announced a package of reforms to address tax adviser misconduct, rebuild confidence in the systems and structures that keep Australia’s tax system strong, and improve the functioning of capital markets.
3. Recent events have led to questions as to whether the regulatory framework for accounting, auditing, and consulting firms appropriately balances policy objectives (such as supporting a competitive market) while fostering appropriate conduct in the provision of key services (such as audit, insolvency and tax).
4. The CP seeks stakeholder feedback and views on issues for Government consideration in relation to the regulation of accounting, auditing, and consulting firms in Australia.
5. The CP provides background and key observations about the current market and framework in Australia and outlines issues that warrant further consideration. However, the CP does not provide any recommended policy positions.
6. The CP covers six areas:
  - Governance
  - Professional standards, regulation and laws
  - Transparency, public information and reporting
  - Enforcement and standard setting
  - Protection of whistleblowers
  - Competition/resilience of audit sector.
7. The areas most relevant to the AUASB are: professional standards, regulations, and laws; and enforcement and standard setting.
8. There are two areas where an AUASB submission might be useful:
  - (a) Providing relevant background information on matters such as the existing legislative, standard setting and regulatory framework; and
  - (b) Providing considerations that may be relevant to decisions on matters of policy (e.g. pros and cons of possible policy options).

## Considerations

9. On providing background information:
  - (a) The AUASB submission to the PJC Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry dated 5 October 2023 (submission no. 58) has already been provided to Treasury and contains comprehensive background information on the standard setting and regulatory framework; and
  - (b) The CP provides appropriate background information on the framework and issues presented.
10. On matters of government policy:
  - (a) As a government agency it is generally not considered appropriate for the AUASB to make any public comments on matters of Government policy and possible future policy;
  - (b) The AUASB submission to the PJC Inquiry already contains considerations on key policy options relevant to the AUASB. The CP highlights in sufficient detail all the matters raised in the AUASB submission; and
  - (c) The Office of the AUASB intends to provide informal feedback to Treasury during the development of any policy options.
11. There will be a separate consultation paper on the merger of the FRC, AASB and AUASB that was announced by the Treasurer on 23 November 2023.

## Recommendation

12. Having regard to the considerations listed above, the Office of the AUASB recommends that the AUASB make **no** formal submission on the CP.



# AUASB Agenda Paper

<b>Title:</b>	AUASB Bulletin – Audit Implications of the Consolidated Entity Disclosure Statement	<b>Date:</b>	13 June 2024
<b>Office of the AUASB:</b>	Doug Niven / Marina Michaelides	<b>Agenda Item:</b>	7

## Objective of this Agenda Paper

1. The objective of this Agenda Item is to inform the AUASB about the new legislative requirement for a 'consolidated entity disclosure statement' (CEDS) for a public company from 30 June 2024 and the process the Office of the AUASB has been through to develop the draft Bulletin and conduct a soft consultation process with key stakeholders.

**Given the late distribution of this paper and stakeholder feedback, members will be asked for any initial comments or views and the matter will be continued at a follow up one hour virtual meeting.**

## Questions for AUASB members

### Question for AUASB members

Do AUASB members have any fatal flaw comments on the draft Bulletin – *Audit Implications of the Consolidated Entity Disclosure Statement* (Agenda Paper 7.1)?

## Requirements

2. As part of its broader reforms in relation to multinational tax, the Federal Government has made legislative changes to the *Corporations Act 2001* (the Act) to require all public companies (listed and unlisted) to include a CEDS in their annual financial reports. The amendments were given Royal Assent on 8 April 2024 and are effective for annual reporting periods beginning on or after 1 July 2023. That is, they apply for the first time at 30 June 2024.
3. Where accounting standards require the public company to prepare consolidated financial statements, the CEDS must include details of **all** entities that were part of the consolidated entity as at the end of the financial year, including names, ownership interests, place of incorporation or formation and, for foreign resident entities, tax residency.
4. Where consolidated financial statements are not required to be prepared, the CEDS will only contain a statement to that effect.
5. The auditor's report must contain an opinion as to whether the CEDS is in accordance with the Act (s307(a) of the Act).

## Draft AUASB Bulletin

6. There has been strong demand from firms for AUASB guidance on the audit implications of the CEDS (except as noted in the feedback table later in this paper). A draft Bulletin has been prepared (see Agenda Paper 7.1).



## Meeting with audit firms

7. The Office of the AUASB met with Treasury regarding this matter on two occasions to discuss the background to the changes and the intentions of the new legislation and the implications for the auditors of the CEDS.
8. The Office of the AUASB also met with the largest six firms to discuss this matter and the implications for the auditors.
9. The firms had consistent views on the reporting requirements at that time (i.e. disclosure not subject to materiality) but differing views on the audit implications. Two firms held the view that, while the reporting requirement is on a 'true and correct' basis without a materiality criterion, the auditor could apply a 'true and fair view' framework and financial statement materiality based on investors and creditors as primary users. In brief, this view was based on:
  - (a) *True and fair view* – s307 of the Act which concerns the auditor forming an opinion on compliance with the financial reporting requirements of the Act, including the true and fair view requirement in s297. However, the true and fair view requirement in s297 does not apply to the CEDS;
  - (b) *Materiality* – s307A of the Act requires compliance with auditing standards and an introductory paragraph of ASA 320 *Materiality in Planning and Performing an Audit* would introduce materiality. However, even if the paragraph were a requirement, the auditing standard would be invalid to the extent of any inconsistency with the Act under s336 of the Act.
10. A further meeting was held with the two firms at which they explained that there were two views on the use of the term 'consolidated entity' in the CEDS reporting requirement. One view is 'consolidated entity' might exclude controlled entities that were immaterial for investors and creditors and not included in the mechanical consolidation process (i.e. potentially the same list of entities would appear in the CEDS as required by accounting standards for the notes to the financial statements).
11. The other view is that 'consolidated entity' includes all controlled entities theoretically consolidated. This view continued to be held by most stakeholders and is consistent with the intent of the legislation. On intent, paragraphs 1.3 to 1.5 of the Explanatory Memorandum to the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Bill 2023* say (emphasis added):
  - 1.3 There are shifts globally towards public reporting as a means of **enhancing public scrutiny of multinational tax arrangements**. This amendment is part of the Government's broader regulatory mix to **improve corporate disclosures**. Ensuring this information is in the public domain will facilitate an informed discussion on tax compliance, helping to build trust in the integrity of the tax system.
  - 1.4 Australian public companies (listed and unlisted) will be required to disclose information on their subsidiaries. **This measure will place an onus on companies to be more transparent about their corporate structures**. Disclosures would be made publicly available within the company's annual financial report published on their website to minimise compliance burden.
  - 1.5 **The intent is that increased public disclosures will lead to enhanced scrutiny on companies' arrangements, including how they structure their subsidiaries and operate in different jurisdictions, including for tax purposes**. From a tax perspective, the expectation is that more information in the public domain will help to encourage behavioural change in terms of how companies view their tax obligations, including their approach to tax governance practices, decision making around aggressive tax planning strategies and potential simplification of group structures.'

12. Whether materiality applied in the preparation of the CEDS was discussed in a meeting with Treasury, the ATO and the Corporate Tax Association, as well as a meeting with ASIC.

## Reasonable assurance

13. The draft Bulletin suggests that reasonable assurance applies because it is an 'audit'. While more work is required than if materiality and true and fair view also applied, modified opinions would only be required in certain circumstances. While this seems a supportable and practical approach, some stakeholders remain of the view that the legislation requires absolute assurance and so the auditor should always give a modified opinion on an inherent limitation of scope.

## Informal consultation on draft Bulletin

14. The draft Bulletin was sent to a range of stakeholders for informal comment by COB Thursday, 6 June 2024. The matter has also been discussed in meetings with stakeholders such as the Large National Networks Discussion Group and the Research Group.
15. Excluding government bodies, responses were received from 11 stakeholders. More minor suggested changes are reflected in the draft Bulletin at Agenda Paper 7.1. There were no consultation questions, but the more substantive comments were:

No.	Area	Number of the 11 respondents commenting and the views expressed	Comments
1	Is Bulletin required?	2 responses – whether a Bulletin is still required this should be reconsidered.	We have received strong feedback that guidance is required, particularly from smaller audit firms. A Bulletin will assist in promoting consistency.
2	Should Bulletin be issued for 30 June 2024 reporting season?	3 respondents (including 1 respondent on item 1) - defer Bulletin for reasons such as: <ul style="list-style-type: none"> <li>proximity to 30 June 2024;</li> <li>larger firms may have developed their own positions;</li> <li>questions over interpretation of the law;</li> <li>proposed AUASB solution may not align with the law;</li> <li>should wait for practice during first reporting season; and</li> <li>AUASB should conduct research on practice from first reporting season.</li> </ul>	See comments on item 1 above.
3	Expectation gap	5 respondents – concerns varied and included: <ul style="list-style-type: none"> <li>the Bulletin could misrepresent the work required of auditors (1);</li> <li>dilution of confidence in public company reporting and consider AUASB research on practices instead (1);</li> <li>directors will expect auditors to give them assurance for a true and correct sign off (1); and</li> <li>unspecified (2).</li> </ul>	We have included paragraphs to clearly state the role of the company and directors vs the auditors. Any expectation gap thought to be created by the legislation itself is not within the control of the AUASB.
4	Reporting framework	3 respondents – guidance is beyond remit of AUASB (3).and guidance should be given by AASB, ASIC or ATO (1)	A statement of the reporting requirements is necessary as a basis for the assurance guidance. ASIC indicated at a recent ASIC Accounting Liaison Meeting that it intends issue guidance in this area.
5	Legal advice	3 respondents – legal advice should be sought (3) on reporting (2) and unspecified matters but implicitly reporting and audit (1).	See above re reporting framework and cover paper.
6	Modified opinion on limitation of scope	6 respondents – matters raised included: <ul style="list-style-type: none"> <li>concern with prospects of modified opinion on financial reporting in all cases and impact on market (4);</li> <li>make it clearer modified opinion not always required (1);</li> <li>leave it to practitioners to determine when opinion should be modified (1); and</li> <li>a modified opinion likely could affect engagement acceptance (2).</li> </ul>	The Bulletin does not state how often a modified opinion will be required and links to whether inherent risk is addressed by controls and substantive testing.

## AUASB Agenda Paper

No.	Area	Number of the 11 respondents commenting and the views expressed	Comments
		1 respondent – concern that modified report should be required in all cases.	
7	Does reasonable assurance apply?	3 respondents – inconsistent with auditing standards not to allow auditor to use materiality (3), and it is inconsistent not to allow auditor to use true and fair view (1). 1 respondent – absolute assurance is required and auditor must use true and correct framework with no materiality.	There were mixed views. See paragraphs 9 and 13 of this paper. However, we consider the approach in the Bulletin to be supportable and practical.
8	Procedures listed	4 respondents – responses included: <ul style="list-style-type: none"> <li>• more guidance needed (1);</li> <li>• very helpful but more procedures may be required in some cases and conversely be wary of creating a checklist, auditor should apply judgement (2);</li> <li>• more audit fees should apply (1); and</li> <li>• very helpful but 4(c) requires greater clarity for small practitioners and 6(h) seems a big stretch even though tempered with ‘when possible’ (1).</li> </ul>	Generally, there is support for the procedures listed in the draft Bulletin. The list was previously prefaced with the words "generally include", which have now been replaced with "may include".
9	Split opinion	2 respondents – can we use a fully split opinion to separate reporting similar to the remuneration report? 2 respondents – a split opinion is not appropriate and the comment in the example modified report that the rest of the financial report is unaffected by a modified opinion on the CEDS should be removed.	A split opinion is not possible because the CEDs is part of the financial report and the opinion on the CEDS and the rest of the financial report is under a single provision, being s307 of the Corporations Act.  We believe that commenting that a modified opinion on the CEDS does not affect the rest of the financial report is useful information for users, assists in addressing some of the expectation gap concerns raised by some respondents, and does not create a split opinion.  The remuneration report is not the same situation. The remuneration report is not part of the financial report and the auditor's opinion is required by a separate and distinct provision from the opinion on the financial report.
10	Example reports	1 respondent - possibly include examples for listed vs unlisted, particularly if KAMs remains within the Bulletin. 1 respondent – example report is good. 1 respondent – not consistent with current ASA 700 series (presumably for reasons similar to those given above).	The Bulletin does not include an example KAM because the procedures will vary from case-to-case and it seems best to avoid being seen to inadvertently promoting a ‘boilerplate’ KAM.
11	Other	Perhaps a flowchart would help.	A flowchart is not considered essential and could delay finalising the Bulletin.

### Materials presented

Agenda Item	Description
7.1	Draft AUASB Bulletin – <i>Audit Implications of the Consolidated Entity Disclosure Statement</i>

June 2024

# AUASB Bulletin

## Audit Implications of the Consolidated Entity Disclosure Statement

ISSUED BY  
THE OFFICE OF THE AUDITING AND ASSURANCE  
STANDARDS BOARD



Australian Government  
Auditing and Assurance Standards Board

## About the AUASB

The Auditing and Assurance Standards Board (AUASB) is an independent, non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards. The Office of the Auditing and Assurance Standards Board provides technical and administrative services to the AUASB.

For more information about the AUASB see the AUASB Website.

### Disclaimer

This publication has been prepared by the Office of Auditing and Assurance Standards Board.

The views expressed in this publication are those of the authors and those views do not necessarily coincide with the views of the members of the Auditing and Assurance Standards Board. Any errors or omissions remain the responsibility of the author.

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## Table of contents

<b>Background</b> .....	4
<b>Responsibilities</b> .....	4
<b>Reporting requirements</b> .....	4
Reporting where consolidated financial statements are required .....	4
Reporting where consolidated financial statements are not required.....	5
True and correct .....	5
<b>Audit requirements</b> .....	6
Assurance level, etc.....	6
Audit procedures.....	7
Auditor's Report.....	8
Appendix 1.....	10

Draft

## Background

As part of its broader reforms in relation to multinational tax, the Federal Government has made legislative changes to the *Corporations Act 2001* (the Act) to require all public companies (listed and unlisted, and regardless of their size) to include a 'consolidated entity disclosure statement' (CEDS) in their annual financial reports<sup>1</sup>. The changes are effective for annual reporting periods beginning on or after 1 July 2023 and so will apply for the first time at 30 June 2024.

The requirement does not apply to companies limited by guarantee that prepare financial reports under the *Australian Charities and Not-for-profits Commission Act 2012*.

Where accounting standards require the public company to prepare consolidated financial statements, the CEDS must include details of all entities that were part of the consolidated entity as at the end of the financial year, including names, ownership interests, place of incorporation or formation and, for foreign resident entities, tax residency. Where consolidated financial statements are not required to be prepared, the CEDS will only contain a statement to that effect.

The auditor's report must contain an opinion as to whether the CEDS is in accordance with the Act (s307(a) of the Act).

## Responsibilities

The company, its directors and management are responsible for the preparation and content of the CEDS. They should have appropriate systems and processes to ensure completeness and accuracy of the CEDS. They cannot not rely on the auditor.

The role of the auditor is to obtain independent assurance, form an opinion and report their opinion in the auditor's report.

## Reporting requirements

### Reporting where consolidated financial statements are required

Where a public company is required to prepare consolidated financial statements under accounting standards, the CEDS must include the following information about each entity that is part of the consolidated entity at the end of the financial year (s295(3A)(a) of the Act):

- The entity's name;
- Whether the entity is a body corporate, partnership or trust;
- Whether the entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity;
- Where the entity was incorporated or formed (if the entity is a body corporate);

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<sup>1</sup> See [Treasury Laws Amendment \(Making Multinationals Pay Their Fair Share—Integrity and Transparency\) Act 2024](#) which was given Royal Assent on 8 April 2024.

- Where the entity is a body corporate with share capital, the percentage of the entity's issued share capital held directly or indirectly, by the public company;
- Whether the entity was an Australian resident or a foreign resident within the meaning of the *Income Tax Assessment Act 1997*; and
- If the entity is a foreign resident, a list of each foreign jurisdiction in which the entity was a resident for the purposes of the law of the foreign jurisdiction.

The CEDS is a separate statement and does not form part of the notes to the financial statements (s295(1)(ba)). The CEDS cannot be combined with the note on controlled entities required by Australian accounting standards.

### ***Tax Residence***

Tax residence is a principle that is determined under the domestic tax rules of a country. It is relevant when considering how business income is taxed. The ATO has provided guidance on tax residency which can be found on their website at: [Australian Taxation Office](#).

We understand that entities that determine tax residency in good faith and in accordance with the Commissioner of Taxation's public guidance, may declare that the tax residency status of a subsidiary is true and correct if consistent with the application of the Commissioner's published guidance.

## **Reporting where consolidated financial statements are not required**

Where a public company is not required to prepare consolidated financial statements, the CEDS is only required to contain a statement to that effect (rather than including information about controlled entities).

### **True and correct**

The directors' declaration is required to include a statement about whether, in the directors' opinion, the CEDS is true and correct. For listed public companies, the chief executive officer and chief financial officer are required to include a statement in their declaration to the directors that the CEDS is true and correct (s295A(2)(ca)).

Paragraph 1.16 of the Explanatory Memorandum to the Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2023 (the EM) says:

'As 'true and correct' is not defined in the legislation, the words take on their ordinary meaning in the context of the amendments. For the purposes of the consolidated entity disclosure statement, the policy intention is to ensure complete and accurate disclosures under subsection 295(3A).'

True and correct is a higher reporting requirement than would be the case under a true and fair view or fair presentation framework. Further, the materiality provisions in the accounting standards do not apply. That is, all entities in the consolidated entity at year end must be disclosed with the information required by s295(3A) and cannot be excluded on the basis of materiality. Entities must be listed even if they are newly acquired 'shelf' companies, dormant or excluded from the company's process to prepare consolidated financial statements on the basis of materiality.

This Bulletin does not express a view on whether the CEDS for a public company that prepares consolidated financial statements is required to list controlled entities that are



not consolidated because of the ‘investment entity exemption’ in Accounting Standard AASB 10 *Consolidated Financial Statements*. An investment entity is required to consolidate a controlled entity that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity’s investment activities.

The reporting requirement for a CEDS is intended to be a higher requirement than for the listing of material controlled entities in a note to the financial statements pursuant to accounting standards. The CEDS is a tax transparency measure. More information on the group structure in the public domain is intended to encourage companies with structures that minimise tax to reconsider their corporate tax structures. The CEDS is not a part of the financial statements and notes for which the primary users are investors, creditors, and potential investors and creditors.

## Audit requirements

### Assurance level, etc

Paragraph 1.17 of the EM says:

‘Further, as the consolidated entity disclosure statement forms part of an entity’s annual financial report, it is also subject to the existing audit framework under the Corporations Act. Specifically, section 307 requires an auditor to form an opinion about whether the financial report (which includes the consolidated entity disclosure statement) is in accordance with the Corporations Act generally, as well as on specific matters. This general obligation is also consistent with the requirements of the auditor’s report under section 308.’

The CEDS and the director’s declaration are part of the annual financial report under s295(1) of the Act. They are not part of the financial statements and notes to the financial statements that the accounting standards and the auditing standards were developed to cover.

The objective of audit work in relation to a financial report under the auditing standards is to obtain reasonable assurance that the financial report as a whole is free of material misstatement. The CEDS is not subject to materiality.

Obtaining reasonable assurance in relation to the CEDS may be implicit in s307 of the Act which requires the auditor to form an opinion on whether the financial report (including the CEDS) complies with the Act. Paragraph 1.17 of the EM also says that the CEDS is ‘subject to the existing audit framework under the Act’.

It follows that the objective of the audit work on the CEDS is to obtain reasonable assurance that the following are not misstated:

- The CEDS; and
- The opinion of the directors in the directors’ declaration that the CEDS is true and correct.

The audit work effort is higher than would be the case if similar disclosures were required to made in a note to the financial statements pursuant to accounting standards because:

- a) the CEDS is intended to encourage companies with structures that minimise tax to reconsider their corporate tax structures, whereas the primary users of the financial statements and notes are investors and creditors making decisions about the allocation of scarce resources;
- b) the disclosures are required whether they are material or not; and

- c) the true and correct criterion applies rather than a true and fair view or present fairly criterion.

While the AUASB could consider narrow scope amendments to the auditing standards consistent with the above, any such amendments would be unlikely to be available for the 30 June 2024 reporting season.

The AUASB cannot make auditing standards that are inconsistent with the requirements of the Act (s336 of the Act). That is, the auditing standards cannot reduce the obligations of auditors by replacing the true and correct criterion with materiality and true and fair view criteria.

## **Audit procedures – where consolidated financial statements are required**

Where a public company is required to prepare consolidated financial statements, the auditor's work to obtain assurance that the CEDS is not misstated may include:

1. Enhancing the auditor's understanding of the business and operations of the public company and other entities in the consolidated entity for the purposes of the disclosures required in the CEDS;
2. Applying knowledge from the audit of the financial statements and notes and the enhanced understanding of the business in identifying and assessing risks and performing work on the completeness and accuracy of the information disclosed;
3. Understand the control environment of the public company and those other entities in the consolidated entity that have significant operations or are known sub-holding companies for parts of the business and the processes used to identify entities in the consolidated entity;
4. Identify and assess the risks of misstatement in the CEDS, including with regard to matters such as:
  - a) the complexity and size of the businesses and operations of the consolidated entity and the locations in which it operates;
  - b) any concerns with the integrity of management; and
  - c) any past use of tax minimisation arrangements, particularly involving foreign controlled entities;
5. Plan the nature and extent of audit procedures including responses to identified risks;
6. Perform procedures to obtain assurance that the entities listed in the CEDS and the information disclosed for each entity at the end of the year is complete and accurate, such as:
  - a) Reviewing the processes and work undertaken within the consolidated entity to support the completeness and accuracy of the disclosures, and confirming whether controls to be relied upon by the auditor are appropriately designed, implemented and operating effectively;
  - b) Reviewing board minutes and papers to identify matters such as:
    - acquisitions or arrangements that may involve the creation of new controlled entities;
    - new operations in foreign jurisdictions; and

- disposals or discontinuance of operations in foreign jurisdictions;
- c) Other than for the first year in which a public company prepares a CEDS, obtaining audit evidence supporting the reasons why any entities disclosed in the CEDS as at the end of the previous financial year are no longer part of the consolidated entity at the end of the current financial year;
- d) Checking completeness of the entities listed in the CEDS by reference to the entities in the company's consolidation records;
- e) Considering entities identified by the auditor or international affiliate firms for the purposes of independence and conflict checking;
- f) Reviewing the impact of business acquisitions during the financial year;
- g) Searching ASIC's company register for companies that might be controlled entities because they have similar names or common directors with the public companies and other entities in the consolidated entity;
- h) Searching company registers in other jurisdictions in which the consolidated entity operates for any controlled entities (where that is possible);
- i) Obtaining audit evidence necessary to assess the tax residency of entities in the consolidated entity in the jurisdictions where those entities are formed or carry on business such as where the management and control of the entity is located;
- j) Obtaining audit evidence on the completeness and accuracy of the other information required to be disclosed for entities in the consolidated entity;
- k) Obtaining written representations from directors and management on the completeness and accuracy of the information disclosed in the CEDS;
- l) Obtaining representations from the public company's solicitors and tax advisers;
- m) Specifically instructing component auditors, reviewing their work as appropriate and ensuring that any issues identified by component auditors have been properly resolved; and
- n) Where any audit work is performed on the completeness and accuracy of the CEDS prior to the end of the financial year, obtaining assurance as to the completeness and accuracy of the CEDS at the end of the financial year. This may include work to identify in connection business acquisitions immediately before year end.

### **Audit procedures – where consolidated financial statements are not required**

Where a public company is not required to prepare consolidated financial statements, the CEDS is only required to contain a statement to that effect. The auditor does not need to perform additional work to that which is required in the audit of the financial statements and the notes to the financial statements.

### **Auditor's report**

The auditor may not need to modify their opinion where there are no significant inherent limitations on the scope of the audit in connection with the completeness of information

in the CEDS that are not adequately addressed through adequately addressed by internal controls and procedures.

The auditor may need to modify their opinion due to significant inherent limitations on the scope of the audit in connection with the completeness of information in the CEDS. A significant inherent limitation on scope may exist in relation to the completeness of the entities listed in the CEDS and completeness of the jurisdictions in which they are tax residents. Such significant limitations are more likely to arise where there is an inherent risk that is not adequately addressed by internal controls and procedures.

The auditor should consider whether the auditor's report for a listed public company should include a key audit matter paragraph in relation to the CEDS, particularly in the first year that the CEDS is presented.

The Appendix provides examples of an unmodified auditor's report and an auditor's report containing a modified opinion on the completeness of the information in the CEDS.

## Appendix: Example Auditor's Reports

### Example 1: Unmodified auditor's report (both where consolidated financial statements are prepared and where they are not prepared)

INDEPENDENT AUDITOR'S REPORT

#### ***Report on the Audit of the Financial Report***

[Appropriate Addressee]

#### ***Opinion***

We have audited the financial report of ABC Company Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 20X1, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 20X1 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### ***Basis for Opinion***

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### ***Key Audit Matters***

[Refer ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.]

[Note: Key audit matters are not required for unlisted public companies.]

### ***Other Information***

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 20X1, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### ***Responsibilities of the Directors for the Financial Report***

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- ii) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether:

- a) the financial report as a whole is free from material misstatement, whether due to fraud or error, and
- b) the consolidated entity disclosure statement is not misstated, whether due to fraud or error, and

to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

### **Report on the Remuneration Report**

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in ASA 700.]

[Auditor's name and signature]

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

### **Example 2: Modified auditor's report**

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

### **Report on the Audit of the Financial Report**

#### **Qualified Opinion**

We have audited the financial report of ABC Company Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 20X1, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 20X1 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Qualified Opinion**

There is a significant inherent limitation on the scope of our audit in relation to the completeness of the entities listed in the consolidated entity disclosure statement and the information on their tax residency. This does not affect our opinion on the remainder of the financial report.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's*

*Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Key Audit Matters**

[Refer ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.]

[Note: Key audit matters are not required for unlisted public companies.]

### **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 20X1, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- ii) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors



either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

### ***Auditor's Responsibilities for the Audit of the Financial Report***

Our objectives are to obtain reasonable assurance about whether:

- a) the financial report as a whole is free from material misstatement, whether due to fraud or error, and
- b) the consolidated entity disclosure statement is not misstated, whether due to fraud or error, and

to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

### ***Report on the Remuneration Report***

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in ASA 700.]

[Auditor's name and signature]

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]