



Public Agenda

Subject:	Agenda for the 172nd meeting of the AUASB
Venue:	AUASB Office, Level 20, 500 Collins Street, Melbourne
Time:	Wednesday, 25 February 2026, 9:00 am – 3:45 pm

Time	No.	Item	Responsibility
PRIVATE SESSION [Board Members, Staff Only]			
9:00 am	1, 2	Private AUASB Discussion	
PUBLIC SESSION [Open to Members of the Public for Virtual Attendance]			
10:10 am	3	Welcome and Chair Update 3.1 Declaration of interests 3.2 Project updates * <ul style="list-style-type: none">Sustainability directors' declarationGS 007 Service Organisations for Investment Management ServicesRegistrable Superannuation Entities	Doug Niven
10:25 am	4	NZAuASB Chair's Update	Graeme Pinfold
10:40 am	<i>Morning tea</i>		
11:00 am	5	Environmental Scan and observations on December 2025 reporting season	Sheryl Huang
12:00pm	6	IAASB surveys: 6.1 IAASB/IESBA strategy and workplan survey 6.2 ISA 540 post implementation review survey	TBD
12:30 pm	<i>Lunch</i>		
1:30 pm	7	GS 018 Franchising Code of Conduct – Auditors' Reports	Marina Michaelides
2:00 pm	8	GS 010 Responding to Questions at an Annual General Meeting	Marina Michaelides
2:30 pm	9	Narrow Scope Amendments to AUASB Standards arising from APESB's Use of Experts Project	See Wen Ewe
3:00 pm	10	Illustrative Corporations Act Assurance Reports – next steps (e.g. additional reports, modifications) *	Doug Niven
3:45 pm	11	Close *	Doug Niven

The timing of Agenda items is subject to change on the day of the meeting.
****These items are verbal updates only and there are no associated board papers.***



AUASB DECLARATION OF INTERESTS

As at 25 February 2026

Agenda Paper 3.1
AUASB Meeting 172

AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Doug Niven (Chair)	<ul style="list-style-type: none">Fellow, Chartered Accountants Australia and New Zealand	<ul style="list-style-type: none">Chair of the Auditing and Assurance Standards Board, AUASB Statutory Authority and Office of the AUASBMember, Australia's Financial Reporting CouncilMember, New Zealand Auditing and Assurance Standards Board	<ul style="list-style-type: none">Member, IAASB/IESBA Stakeholder Advisory CouncilMember, IAASB Jurisdictional Standard Setters Group
Ms Julie Crisp (Deputy Chair)	<ul style="list-style-type: none">Registered Company AuditorFellow, Chartered Accountants Australia and New ZealandFellow, CPA AustraliaFellow, Governance Institute of AustraliaFellow, Institute of Public Administration AustraliaGraduate, Australian Institute of Company DirectorsCertified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal AuditorsMember, Association of Certified Fraud Examiners	<ul style="list-style-type: none">Non-Executive Director, CPA AustraliaMember – Performance Statements Audit Expert Advisory Panel, Australian National Audit OfficeFormer Northern Territory Auditor-General (concluded 12 September 2024)	<ul style="list-style-type: none">Director and Shareholder, Family Trust CompanyDirector and Shareholder, Asterism Assurance and Advisory Pty LtdBoard Director and Chair of the Auditing & Risk Committee of Aboriginal Investment NT, a Commonwealth statutory entity regulated by the ACNCNon-Executive Director, Larrakia Development CorporationDirector, Darwin Hotel Partnership Pty LtdMember, Audit & Risk Committee, Charles Darwin UniversityMember, Audit & Risk Committee, Department of Local Government, Industry Regulation and Safety (a department of the Government of Western Australia)



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Ms Marilyn Gwan	<ul style="list-style-type: none">Fellow, Chartered Accountants Australia and New Zealand	<ul style="list-style-type: none">Partner, Grant Thornton Australia	<ul style="list-style-type: none">Member of Australian Institute of Company Directors Reporting CommitteeMember of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working GroupMember of the Australian Accounting and Assurance Public Policy Committee – ESG Working GroupDirector and Shareholder, Family Trust Company(s)Trustee – personal family trusts
Mr Klynton Hankin	<ul style="list-style-type: none">Member, Chartered Accountants Australia and New Zealand	<ul style="list-style-type: none">Partner, PricewaterhouseCoopers	<ul style="list-style-type: none">Member, Finance, Risk and Audit Committee - Cancer Council Australia
Dr Noel Harding	<ul style="list-style-type: none">Member, CPA Australia	<ul style="list-style-type: none">Professor and Head of School of Accounting, Auditing and Taxation, UNSW Sydney	<ul style="list-style-type: none">Editor, International Journal of AuditingDeputy Editor, Accounting and FinanceCo-chair of AFAANZ Auditing and Assurance Standards Committee
Mr Terence L Jeyaretnam	<ul style="list-style-type: none">Degree in Environmental Engineering (UWA)Chartered Professional EngineerFellow and Engineering Executive of the Institute of Engineers, Australia	<ul style="list-style-type: none">Director, Foresight Consulting Group Pty LtdClean Energy Regulator Accredited Category 2 AuditorAssociate Professor of Practice at Monash University's Department of Accounting, Faculty of Business and EconomicsFormerly APAC Leader and Partner, Climate Change and Sustainability Services, Ernst & Young in Melbourne	<ul style="list-style-type: none">Board member, Australian Conservation FoundationChair, Amnesty International AustraliaChair, Global Citizen, AustraliaBoard member, ProVeg LtdCouncillor, Royal Society of Victoria
Ms Joanne Lonergan	<ul style="list-style-type: none">Member, Chartered Accountants Australia and New Zealand	<ul style="list-style-type: none">Partner, Ernst & Young	<ul style="list-style-type: none">Director & Shareholder, Family Trust Company



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Mr Graeme Pinfold	<ul style="list-style-type: none">Fellow, Chartered Accountants Australia and New Zealand	<ul style="list-style-type: none">Chair, New Zealand Auditing and Assurance Standards Board	<ul style="list-style-type: none">Board Member and Treasurer, Okawa Rotoiti Timeshare Owners AssociationChair, Sustaining the Audit Profession Working GroupDirector, The Auckland Theatre Company
Mr Andrew Porter	<ul style="list-style-type: none">Fellow, Institute of Chartered Accountants in England and WalesMember, Australian Institute of Company DirectorsFellow, Chartered Accountants Australia and New Zealand	<ul style="list-style-type: none">Chief Financial Officer, Australian Foundation Investment Company LimitedCFO for Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited	<ul style="list-style-type: none">Director of Australian Investment Company Services Ltd.Director of a Family Trust CompanyDirector of the Melbourne Anglican Foundation and trustee of related entities
Ms Jennifer Travers	<ul style="list-style-type: none">Member, Chartered Accountants in Australia and New Zealand	<ul style="list-style-type: none">Partner, KPMG	<ul style="list-style-type: none">Chair of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working GroupMember of the Australian Accounting and Assurance Public Policy Committee – ESG Working GroupChair of the Trans-Tasman Audit and Advisory Committee (CA ANZ)Director and Shareholder, Family Trust Company(s)Trustee, personal family trusts
Mr Jason Thorne	<ul style="list-style-type: none">Fellow, Institute of Chartered Accountants in England and WalesMember, Chartered Accountants in Australia and New ZealandRegistered Company Auditor	<ul style="list-style-type: none">Partner, Deloitte Touche Tohmatsu	<ul style="list-style-type: none">Director and Shareholder, family trust company
Mr Chi Mun Woo	<ul style="list-style-type: none">Member, Chartered Accountants Australia and New ZealandMember, Institute of Chartered Accountants in England and Wales	<ul style="list-style-type: none">Partner, Climate and Sustainability practice, Deloitte	-



AUASB Agenda Paper

Title:	Environmental Scan – October 2025 to January 2026	Date:	25 February 2026
Office of the AUASB:	Sheryl Huang	Agenda Item:	5.0

Objective of this agenda paper

The objective of the environmental scan (see Agenda Paper 5.1) is to inform AUASB members on key developments relevant to auditing and assurance, reporting, and related regulation in Australia and globally.

Question for AUASB Members

No.	Question
1	Do AUASB members have any observations that they would like to raise based on the environmental scan or on other current developments relevant to the Board?

AUASB Environmental Scan (October 2025 - January 2026)

Objective of this agenda paper

The objective of the environmental scan is to inform the AUASB on key developments relevant to auditing and assurance, reporting, and related regulation in Australia and globally.

Members may also wish to discuss their own observations on market developments locally or internationally.

Developments by jurisdiction (sustainability reporting and assurance covered separately for countries outside Australia)

Australia

Australian Accounting Standards Board (AASB)

- published **educational material** to assist in understanding key considerations when disclosing information about the anticipated financial effects of climate-related risks and opportunities.
- hosted a three-day Research Forum facilitating collaboration and discussion on the following topics:
 - AI, Cybersecurity and Global Trends;
 - Sustainability in Focus; and
 - Evidence and Connectivity in Reporting.
- issued **AASB S2025-1**, which amends AASB S2 *Climate-related Disclosures* to clarify and extend relief from specific greenhouse gas emissions disclosure requirements and to amend the requirements for classifying some types of greenhouse gas emissions. The amendments have an effective date of annual reporting periods beginning on or after 1 January 2027, with earlier application permitted.
- published **2027-2031 Agenda Consultation** seeking input on both domestic and international priorities to shape its future Work Plan.
- will be hosting a series of in-person **workshops** throughout March 2026 in Melbourne to support reporting entities in applying the scenario analysis requirements of AASB S2 *Climate-related Disclosures*.

Australian Professional Ethics Standards Board (APESB)

- issued **clarification** in respect of whether the same auditor needs to be appointed for both the financial reporting audit and the sustainability reporting audit and emphasised the Code should be read in conjunction with the FAQs issued by ASIC and the AUASB.

Chartered Accountants Australia and New Zealand (CA ANZ)

- advocated to ASIC, Treasury, and the Government on the following two issues to ensure the new climate-related disclosure assurance regime is fair and workable for smaller audit practices:
 - requiring one auditor for both financial and sustainability assurance can avoid duplication, inefficiency, and audit quality risks. If dual auditors are considered, there must be a clear framework to manage independence, coordination, liability and regulatory oversight, so smaller firms are not unfairly burdened.
 - limiting the audit requirement for nil statements (i.e., no material climate-related risks) to public interest entities or disclosing entities only to spare smaller entities from unnecessary costs and compliance burdens, ensuring the regime is proportionate and practical.
- in collaboration with the Australian Small Business and Family Enterprise Ombudsman (ASBFE0), released a climate-related financial disclosures **Guide for SMEs** to help them understand what information they may be asked by larger businesses they supply to, regarding their greenhouse gas (GHG) emissions.
- in collaboration with the Responsible Investment Association Australasia (RIAA), published **Guide to Assurance for Investors**. This guide aims to help investors, as primary users, understand the assurance requirements linked to Australia's mandatory climate-related financial disclosure regime. Explains the what is subject to assurance and when (ASSA 5-1-), what the levels of assurance mean, how to read and understand the auditor's report including modifications.
- released its **Sustainability Playbook**, a practical guide designed to help accounting and finance professionals build the skills and confidence needed to navigate climate-related disclosures.
- published **Tips for better Scope 3 GHG Emissions Disclosures** examining voluntary Scope 3 disclosures made by 189 listed entities in Australia and NZ between 2020 and 2023 (a total of 820 corporate reports). These entities represent 7.4% of listed entities in Australia and 43.8% in New Zealand, revealing that disclosure of Scope 3 GHG emissions is a minority practice before the introduction of

mandatory regimes. Also details that 39.4% are subject to assurance with some reasonable but the majority being limited assurance. Also provides insights into reporting practices to assist future preparers.

- published the results of **Investor Confidence Survey**, which show that investors are confident in local economies and remain strong confidence in the audited financial reports produced by public companies.

CPA Australia

- **emphasised** that auditors are the guardians of trust in the age of AI and highlighted how to harness AI while safeguarding fairness, accountability and trust is the most critical conversations in the AI era.
- published **Business Technology Report 2025**, summarising the findings from the fifth annual Business Technology Survey, conducted between July and September 2025. Key findings include trends in technology adoption, impact of technology on business performance, AI trends, Cybersecurity review and future technology trends.

Australian Institute of Company Directors (AICD)

- collaborated with the Australian Signals Directorate and issued cyber security governance **guidance**.
- issued guidance to support boards to prepare for AASB S2 climate disclosures, including:
 - **AASB S2 Climate-related Disclosures checklist** developed by BDO
 - AICD courses: **Climate Governance for Australian Directors** and **Introduction to Climate Governance**
 - Guidance on **what company directors should know about National Climate Risk Assessment**.
 - **Climate in Focus**: Key climate and environmental developments shaping board agendas in 2026. This included research on the reporting costs for group 3 entities and recommendations to lift the revenue thresholds.
- published a report **AI use by directors and boards: Early insights**, which explores current and emerging practices around board and director use of AI and their potential impacts.

Australian National Audit Office's (ANAO)

- conducted **performance audit of ASIC's** regulation of registered company auditors and concluded ASIC's oversight is "partly effective". Key findings and areas for improvement are as follows:
 - ASIC has integrated arrangements for regulating registered company auditors into its broader regulatory systems. It is not measuring the achievement of regulatory outcomes.
 - Fundamental components of an effective regulatory approach are in place although ASIC's visibility of audit quality or the impact of its own regulatory actions is narrow, and there is limited follow-through of quality issues identified.

The ANAO also made a number of recommendations to ASIC.

Australian Securities & Investments Commission (ASIC)

- published **REP 817 Building trust: Auditors' compliance with independence and conflict of interest obligations**, which reveals multiple auditors and audit firms were in likely breach of their obligations.
- issued updated **Regulatory Guide 260 Communicating findings from audit files to directors, audit committees or senior managers** (RG 260) to cover RSEs and provide more detail on communicating findings to directors.
- published **Reporting and audit update – Issue 2**, which covers the following regulatory developments in financial and sustainability reporting and audit. Matters in addition to those covered above or in the previous environmental scan:
 - found poor compliance with financial reporting requirements by grandfathered companies;
 - ASIC published FAQs about auditing and assurance requirements for sustainability reports;
 - The process for entities to lodge sustainability reports online with ASIC;
 - Allow time for ASIC to consider your sustainability reporting relief applications.
- announced **2026 enforcement priorities**, which includes:
 - Financial reporting misconduct including failure to lodge financial reports
 - Continuing our work to hold those responsible to account for the collapse of the Shield and First Guardian Master Funds
 - Holding super trustees to account for member services failures
 - Auditor misconduct
- partnered with the AASB, the University of Technology Sydney and educational design agency Studio 3 Learning, released the first **sustainability reporting educational modules** to assist smaller companies and report preparers in understanding and applying the foundational concepts behind the new sustainability reporting requirements.
- released **REP 816 Accounting for your super: ASIC's review into the financial reporting and audit of super funds**, with findings from surveillance of registrable superannuation entity (RSE) financial reports

and audits for 2024–25. The report reveals inconsistent approaches to disclosing investments a level 1, 2 or 3, limited disclosure of sponsorship and advertising expense and insufficient audit evidence obtained in the valuation of investments in unlisted MISs.

- published **Regulatory Guide 260** *Communicating findings from audit files to directors, audit committees or senior managers*, which provides guidance on how, when, and which audit file review findings will be communicated to directors, audit committees and senior managers.
- commenced legal action against a number of parties in relation to the failures of **Shield Master Fund** and **First Guardian Master Fund**,
- commenced civil penalty proceedings against BDO Audit (WA) on connection with alleged non-compliance with Auditing Standards **25-317MR ASIC sues BDO Audit and its director Dean Just alleging materially false or misleading audit reports | ASIC**
- proposed to **update** Regulatory Guide 43 *Financial reports and audit relief* (**RG 43**) and withdraw **Regulatory Guide 29** *Financial reporting by Australian entities in dual listed company arrangements* after the updated RG 43 is published. Comments closed 9/2/26.

The Treasury

- issued **Consultation Paper** on proposals for enhancing managed investment scheme (MIS) governance and oversight by ASIC. This consultation proposes to mandate compliance with the existing ASAE 3100 *Compliance Engagements* for audits of Compliance Plans, and is seeking feedback on how to improve audits of Compliance Plans. Comments close on 27/2/26.

Government

- on 3/2/26, the Government responded to the recommendations from the PJC Inquiry on Ethics and Consulting - **Australian Government response – Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry**.

International

Association of Chartered Certified Accountants (ACCA)

- published **insights** from its survey, interviews and roundtables, assessing organisations' readiness and providing recommendations to support organisations and professionals in preparing and using sustainability information.

International Auditing and Assurance Standards Board (IAASB)

- issued **Catalog of Issues and Possible Actions** (Version 2), identifying issues to be addressed to ensure standards keep pace with technological developments.
- issued ISSA 5000 **FAQ** focusing on how ISSA 5000 could be relevant to assurance engagements required under the EU's Corporate Sustainability Reporting Directive (CSRD) on sustainability reports prepared in accordance with ESRS.
- held **webinar series** and shared recordings to assist ISSA 5000 implementation.
- published a set of **illustrative practitioner's assurance reports**.
- published **IESBA-IAASB Annual Report**.
- published a **summary of feedback** from its global Technology Quality Management roundtables, which explored how emerging technologies are affecting audit and assurance engagements and the application of the IAASB's quality management standards.

International Ethics Standards Board for Accountants (IESBA)

- published series of materials of the Firm Culture and Governance **project**, including:
 - **Firm Culture and Governance Dialogues**: presenting the Viewpoints on the eight elements of the Firm Culture and Governance Framework and outlining the objectives of the project and the dialogues planned for the first half of 2026
 - **Snapshot**: providing a short, non-technical overview of the project, the Viewpoints, upcoming discussions and key decisions expected in 2026
 - **Briefing Note**: setting out the Viewpoints, their context and objectives, engagement questions and next steps
 - A **paper**: outlining linkages between the Viewpoints and International Standard on Quality Management 1 (ISQM 1)
 - **Focus series video**: exploring how to develop a framework that supports the cultures and governance practices that shape ethical behaviour.
- released the first episode of **Decoding Ethics: Building trust in a tech-driven world** podcast: exploring the technological and ethical risks and opportunities shaping the future of accounting and finance.

International Accounting Standards Board (IASB)

- hosted 2025 **Research Forum**, in partnership with an academic journal and Paderborn University, covering the below topics:
 - Intangible assets;
 - IFRS 17 and amendments to standards;
 - Review of IFRS effects and research; and
 - Cost-benefit assessments of accounting standards
- issued illustrative examples on reporting uncertainties in financial statements.
- **proposed a new accounting model** to reflect how financial institutions manage interest rate risk in a dynamic environment.

International Sustainability Standards Board (ISSB)

- published **Jurisdictional Rationale Guide** for the adoption or other use of ISSB Standards and the **accompanying tool**.
- plans to publish an Exposure Draft drawing on the TNFD framework, to introduce incremental disclosure requirements on nature-related risks and opportunities not already reflected in explicit requirements in IFRS S1 and S2 in October 2026.
- issued **amendments to greenhouse gas (GHG) emissions** disclosure requirements in IFRS S2 *Climate-related Disclosures* to provide reliefs and clarifications for applying the Standard. The amendments are effective for reporting periods beginning on or after 1/1/27, with early application permitted.

International Public Sector Accounting Standards Board (IPSASB)

- issued **Definition of Material** (*Amendments to IPSAS 1, IPSAS 3, and the Conceptual Framework*). The amendments to the IPSAS standards are effective January 1, 2027. An earlier application is permitted. The amendments to the Conceptual Framework are effective immediately.
- published **Work Program Consultation** on its 2024-2028 strategy. Comments close on 4/5/26.
- agreed to review an updated draft ED of non-authoritative guidance to assist public sector entities in applying materiality when preparing IPSAS financial statements at March meeting.
- issued **IPSASB SRS 1 Climate-related Disclosures**, effective for annual reporting periods beginning on or after 1/1/28, with early adoption permitted. To support adoption, IPSASB will host a global webinar on 12/2/26.

International Federation of Accountants (IFAC)

- released the second edition of the **IFAC Professional Accountancy Organization (PAO) Strategy Planning Toolkit: Continuous Learning and Improvement Edition**, which provides updated guidance, introduces new resources, and integrates an embedded Value Proposition Framework.
- released five short **videos** capturing the discussions on how AI is influencing the pace of change, the evolving role of accountants, the importance of trust and design, and emerging leadership responsibilities.

United States

Public Company Accounting Oversight Board (PCAOB)

- released an edition of Data Points “**Auditors of Special Purpose Acquisition Company (SPACS) at IPO**”.
- published **Staff Guidance** providing examples of the application of requirements on audit evidence.
- released an edition of Data Points “**Financial Restatements and Auditor Turnover**”.

New Zealand

External Reporting Board (XRB)

- provided an additional two-year extension for scope 3 greenhouse gas emissions disclosure and assurance, and disclosure of anticipated financial impacts.
- approved the adoption of ISSA (NZ) 5000 for assurance of the mandatory GHG disclosure for periods beginning on or after 15/12/26, replacing the temporary standard NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*.
- issued the following revised Fraud and Going Concern standards effective 15/12/26.

United Kingdom

Financial Reporting Council (UK FRC)

- launched **consultation** on proposed revisions to three auditor reporting standards to simplify and declutter the auditor’s report, and to align with recent revisions to equivalent international standards issued by the IAASB. Comments closed on 16/1/26.

- ISA (UK) 700 *Forming and opinion and reporting on Financial Statements*
- ISA (UK) 701 *Communicating Key Audit Matters in the Independent Auditor's report*
- ISA (UK) 720 *The Auditor's Responsibilities Relating to Other Information*
- published the 23rd edition of its Key Facts and Trends (**KFAT**) **report**, offering a comprehensive overview of the UK accountancy and audit landscape
- published key findings and good practice **report** from their audit inspection program related to the audits of the twelve largest audit firms.
- published the annual **Audit Market and Competition Developments Report**, which shows that while the Big Four audit firms continue to dominate the market, non-Big Four firms continued to increase their share of PIE audit engagements to 40% in 2024, up from 22% at the start of the decade.
- published a podcast 'In Conversation: Consulting to update the Audit Enforcement Procedure'.

The Institute of Chartered Accountants in England and Wales (ICAEW)

- released an **Insights Podcast** *How should audit firms use AI*, emphasising the need for practical guidance to build industry confidence in the integration of AI in audit processes.
- published **Audit Monitoring Report 2025**, which provides a snapshot of results from last year's quality assurance monitoring reviews. The Report highlights examples of best practice, common audit weaknesses, and progress with ISQM 1 implementation.

Key sustainability reporting and assurance developments

The table below provides an overview of developments in major jurisdictions on sustainability reporting and assurance. This table is not exhaustive, but it is informed by and reviewed against the IAASB's **jurisdictional adoption details**. Developments since September 2025 are in track changes.

No.	Region	Jurisdiction	Reporting developments	Assurance developments
1	Europe	Europe	<ul style="list-style-type: none"> • On 29 January 2025 the European Commission published the EU Competitiveness Compass that proposed far-reaching simplification of sustainability reporting, due diligence and taxonomy. • On 26 February 2025 the EU published the Omnibus Package which proposed to reduce the sustainability reporting and due diligence requirements, and reducing assurance requirements by maintaining limited assurance for CSRD reports. • On 3 April 2025 the European Parliament adopted the proposals in the first Omnibus Package to simplify EU Sustainability legislation and postpone the reporting by entities that have not yet started reporting by two years. Also to substantially reduced the number of companies who must report, reduced the mandatory datapoints, and prioritised quantitative datapoints over narrative text. The revisions will also provide clearer instructions on applying the materiality principle to ensure that entities do not over-report, as well as stronger interoperability with global standards. • EFRAG are to provide technical advice on the revisions to the EU Sustainability Reporting Standards by 31 October 2025, to allow the revised ESRS to be 	<ul style="list-style-type: none"> • <u>The provisional agreement on Omnibus I requires limited assurance only. The EC shall provide limited assurance standards that auditors shall draw on no later than 1/7/27. The matter is still to be decided in individual jurisdictions.</u>

No.	Region	Jurisdiction	Reporting developments	Assurance developments
			<p>used in reporting for financial year 2027 and possibly for financial year 2026.</p> <ul style="list-style-type: none"> • EFRAG issued Exposure Draft amending European Sustainability Reporting Standards (ESRS) Set 1. Comments closed on 29 September 2025. • <u>On 3 December 2025, EFRAG released the draft of simplified ESRS and submitted it as technical advice to the European Commission (EC)</u> • <u>On 9 December 2025, reached a provisional agreement on Omnibus I to simplify the directives on corporate sustainability reporting (CSRD) and corporate sustainability due diligence (CS3D) by reducing the reporting burden and limiting the trickle-down effect of obligations on smaller companies. The obligation for companies to adopt a transition plan for climate change mitigation has been removed. The provisional agreement postpones the CSRD's transposition deadline by another year, to 26/7/28, and compliance with the new measures is required by July 2029.</u> <p>For more information on the Omnibus Package, see European Parliament News.</p>	
		France	<ul style="list-style-type: none"> • Transposed the CSRD into French law to mandate sustainability reporting. • First wave companies are required to disclose sustainability reports in 2025 on FY2024 data. • Second wave companies are required to disclose sustainability reports in 2028 on FY2027 data. • Third wave companies are required to disclose sustainability reports in 2029 on FY2028 data. 	<ul style="list-style-type: none"> • Limited assurance is required starting from 2024 for Group 1 entities. Consider strengthening to reasonable assurance. • Comply with Committee of European Oversight Bodies (CEAOB) Standard that the European Commission plans to adopt no later than 1/10/26. In the absence of the CEOAB standard, practitioners shall comply with the sustainability assurance standards issued by the High Audit Authority (H2A).
		Germany	<ul style="list-style-type: none"> • Developed the Local Sustainability Reporting Framework (BNK) to comply with CSRD. Companies are required to prepare sustainability reports as per the ESRS, starting from the FY 2025. 	<ul style="list-style-type: none"> • Intends to adopt ISSA 5000 but there is uncertainty about the impact of the European Commission "omnibus" proposals.
		Italy	<ul style="list-style-type: none"> • Complied with CSRD and mandated sustainability reporting with a phasing implementation: <ul style="list-style-type: none"> ◦ 1/1/24: large listed companies with more than 500 average employees. ◦ 1/1/25: all other large companies. ◦ 1/1/26: small and medium-sized listed enterprises; and non-complex entities. 	<ul style="list-style-type: none"> • Limited assurance will be required and will transit to reasonable assurance pending on the European Commission's adoption of standards in this respect.

No.	Region	Jurisdiction	Reporting developments	Assurance developments
		Netherlands	<ul style="list-style-type: none"> Complied with CSRD and mandated sustainability reporting with a phasing implementation: <ul style="list-style-type: none"> 1/1/26: listed entities. 1/1/27: large unlisted companies 1/1/28: listed SMEs; and small and non-complex credit institutions and insurance companies. Medium-sized and small businesses are exempted until at least financial year 2026. 	<ul style="list-style-type: none"> Limited assurance will be required (as required by CSRD).
		Spain	<ul style="list-style-type: none"> Complied with CSRD and mandated sustainability reporting with a phasing implementation: <ul style="list-style-type: none"> 1/1/24: large listed companies with an average number of employees exceeding 500. 1/1/25: all other large companies and dominant entities of large groups. 1/1/26: SMEs listed on a regulated market in the European Union, and which are not micro-enterprises 1/1/28: Spanish subsidiaries and branches of third-country companies with over EUR 150 million turnover in the EU for each of the last two consecutive financial years. 	<ul style="list-style-type: none"> Limited assurance will be required from 1/10/26. Transits to reasonable assurance by 1/10/28 pending on the European Commission's adoption of standards in this respect.
2	Switzerland	Switzerland	<ul style="list-style-type: none"> <u>The Federal Council paused the revision of the ordinance on companies' climate disclosures until it has approved the bill to amend the Code of Obligations, but at the latest by 1/1/27. The Federal Council will decide on the next steps as soon as the European Union has decided on its announced simplifications, but at the latest in early 2026. Proposed to adopt international standards, including ISSA 5000, CSRD, European Sustainability Reporting Standards (ESRS)10 and European Single Access Point (ESAP) and provide freedom to choose the standIf approved, mandatory sustainability reports will be required from 1 January 2026.</u> 	<ul style="list-style-type: none"> <u>Under consideration, subject to the outcome of the European Commission's omnibus proposals. Proposed to require assurance (limited or reasonable) from the first year of reporting.</u>
3	United Kingdom	United Kingdom	<ul style="list-style-type: none"> <u>Issued Exposure Drafts of UK Sustainability Reporting Standards (SRS). Comments closed on 17/9/26.</u> <ul style="list-style-type: none"> <u>Exposure Drafts of Sustainability Reporting Standards (SRS).</u> <u>Transition plan requirements: Implementation routes.</u> <u>Oversight regime for assurance of sustainability-related financial disclosures.</u> 	<ul style="list-style-type: none"> <u>Issued UK version of ISSA 5000 for use on a voluntary basis.</u> <u>Released the outcomes of its consultation on developing an oversight regime for sustainability assurance, agreeing on the following:</u> <ul style="list-style-type: none"> <u>The FRC will establish an interim regime for registering sustainability assurance practitioners by mid-2026. This will be a voluntary, opt-in</u>

No.	Region	Jurisdiction	Reporting developments	Assurance developments
			<ul style="list-style-type: none"> As the body responsible for making and enforcing UK Listing Rules, the Financial Conduct Authority (FCA) issued Consultation Paper on aligning UK sustainability disclosures with ISSB standards. The government is in the process of developing UK SRS. The Consultation Paper proposes to <ul style="list-style-type: none"> Mandate reporting of UK SRS S2 climate disclosures (excluding Scope 3); Comply or Explain reporting of UK SRS S2 Scope 3 and UK SRS S1 sustainability disclosure; disclose whether a transition plan has been published; and disclose whether assurance has been obtained. Comments close on 20/3/26. The UK Government considers extending requirements to economically significant unlisted companies. 	<p>registration regime covering multi-framework (e.g., ISSB, ESRS, and TCFD).</p> <ul style="list-style-type: none"> Further consultation on whether to mandate assurance over UK SRS disclosures, the level of assurance (limited or reasonable) and the phasing-in timelines.
4	North America	National – US SEC	<ul style="list-style-type: none"> Voted to end defense of the rules requiring disclosure of climate-related risks and greenhouse gas emissions and that Commission counsel are no longer authorized to advance the arguments in the brief the Commission had filed. 	
		California	<p><i>California's Climate Corporate Data Accountability Act</i></p> <ul style="list-style-type: none"> Businesses registered in the U.S. and doing business in California will be required to disclose scope 1, 2 and 3 emissions. Scope 1 and 2 will require limited assurance. Scope 3 emissions reporting will be required in 2027 on 2026 data and annually thereafter. 	<ul style="list-style-type: none"> Scope 1 and 2 data will require reasonable assurance from 2030. Scope 3 data will require limited assurance.
		New York	<ul style="list-style-type: none"> Bill similar to California law failed to pass in New York State in June 2025. 	<ul style="list-style-type: none"> Bill similar to California law failed to pass in New York State in June 2025.
		Illinois	<ul style="list-style-type: none"> Bill similar to California law continues to move through the state legislature in Illinois 	<ul style="list-style-type: none"> Bill similar to California law continues to move through the state legislature in Illinois
		New Jersey	<ul style="list-style-type: none"> Bill similar to California law continues to move through the state legislature in New Jersey 	<ul style="list-style-type: none"> Bill similar to California law continues to move through the state legislature in New Jersey
		Washington State	<ul style="list-style-type: none"> Bill similar to California law continues to move through the state legislature in Washington. 	<ul style="list-style-type: none"> Bill similar to California law continues to move through the state legislature in Washington.
		Canada	<ul style="list-style-type: none"> Developed CSDS 1 and CSDS 2 to adopt IFRS S1 and S2 for voluntary disclosure until they are incorporated into a CSA rule. 	<ul style="list-style-type: none"> Issued Re-exposure Draft to adopt ISSA 5000 as CSSA Agreed to adopt ISSA 5000 anticipating approval in March 2026.

No.	Region	Jurisdiction	Reporting developments	Assurance developments
			<ul style="list-style-type: none"> The CSSB proposed to mandate CSDS 1 starting from Jan 2027 and CSDS 2 starting from Jan 2028. <u>Released Guide on Adopting a Climate-first Approach in Sustainability Reporting to support compliance with CSDS 1 and CSDS 2.</u> 	
		Mexico	<ul style="list-style-type: none"> Mandated ISSB S1 and S2 beginning on or after 1 January 2025. 	<ul style="list-style-type: none"> Mandatory external assurance using ISSA 5000. Effective for sustainability information reported for periods beginning on or after 15/12/26 or as at a specific date on or after 15/12/26.
5	South America	Brazil	<ul style="list-style-type: none"> Developed CBPS 01 and CBPS 02 to adopt IFRS S1 and S2. Mandated CBPS 01 and CBPS 02 disclosure for listed entities subject to CVM regulation for fiscal years beginning on or after 1/1/26. For institutions subject to CMN and BCB regulations (e.g., financial institutions) mandated CBPS 01 and CBPS 02 disclosure: <ul style="list-style-type: none"> 1/1/26: segment 1 and 2 institutions beginning on or after; 1/1/28: all other institutions beginning on or after. 	<ul style="list-style-type: none"> ISSA 5000 to be approved. The CVM mandated assurance on sustainability-related financial disclosure in accordance with the standards issued by the Federal Accounting Council (CFC) (not adopted ISSA 5000 yet), following: <ol style="list-style-type: none"> until the end of the 2025 fiscal year: limited assurance; and from fiscal years beginning on or after 1/1/26: reasonable assurance.
		Costa Rica	<ul style="list-style-type: none"> Adopted ISSB S1 and S2 in January 2024 and required mandatory disclosure beginning on or after <ul style="list-style-type: none"> 1 January 2028: companies with public obligation to render accountants and large taxpayers. Period deemed appropriate by other entities. 	<ul style="list-style-type: none"> Adopted automatically by Colegio de Contadores Públicos de Costa Rica under Circular 03/2022 with the same effective date as issued by the IAASB: 15/12/26.
6	Asia-Pacific	New Zealand	<ul style="list-style-type: none"> Developed NZ Climate Standards aligned with TCFD recommendations. Mandatory reporting commenced 1/1/23 for large entities. Following consultation, the XRB approved amendments to the NZ reporting standards to extend for an additional year for scope 3 disclosures and anticipated financial impact disclosures. Requested for information on the international alignment of climate reporting 2025. Comments closed on 13/6/25. Issued Consultation Paper on proposed amendments to climate and assurance standards to extend the adoption provisions relating to the reporting and assurance of scope 3 greenhouse gas emissions and the adoption provision for the reporting of anticipated financial 	<ul style="list-style-type: none"> <u>ISSA (NZ) 5000, together with the IESSA (NZ), will be the assurance and ethical standards for the assurance of the mandatory GHG disclosures for periods beginning on or after 15/12/26.</u> <u>decided to revoke ISAE (NZ) 3410 and this standard can no longer be used for periods beginning on or after 15/12/26. Considering the feedback that the application material included in ISAE (NZ) 3410 may be useful for the assurance of GHG disclosures, it will be issued as staff guidance.</u>

No.	Region	Jurisdiction	Reporting developments	Assurance developments
			impacts by two further reporting periods. Comments closed on 24/09/25.	
		Japan	<ul style="list-style-type: none"> The Sustainability Standards Board of Japan (SSBJ) issued the Japanese version of the Sustainability Disclosure Standards, aligning with the ISSB S1 and ISSB S2. Japan authorities are mandating reporting in a multi-staged approach with large entities required to issue their first sustainability report for the financial year ending March 2027. 	<ul style="list-style-type: none"> Since February 2025, the JFSA has engaged in discussions around requiring external assurance on sustainability disclosures by the auditors of listed companies. The FSA intends to formulate a domestic sustainability assurance framework and implementation rules by adhering to ISSA 5000.
		Singapore	<ul style="list-style-type: none"> In progress of developing sustainability disclosure standards based on IFRS S1 and S2. Publicly listed companies (PLCs) starting from FY2025 and large non-listed companies (NLCs) from FY2027FY2030. Scope 3 GHG emissions: Only Straits Times Index (STI) constituents are required to disclose Scope 3 GHG emissions from 2026, it remains voluntary for all other companies. 	<ul style="list-style-type: none"> Mandatory limited assurance on Scope 1 and Scope 2 GHG emissions from FY2029 for PLCs and FY2032 for large NLCs using ISSA 5000 equivalent. The Institute of Singapore Chartered Accountants will adopt ISSA 5000 with an expected effective date of 15/12/26.
		China	<ul style="list-style-type: none"> Issued an Exposure Draft on the China version of ISSB S1, Sustainable Disclosure Standard No. 1 – Climate (Trial), for use on a voluntary basis until the implementation scope and requirements are specified. It expects to have full implementation of a unified national sustainability reporting standards by 2027. Comments closed on 31/5/25. 	<ul style="list-style-type: none"> No decision has been madeBased on ISSA 5000, developed China version of Sustainability Assurance Standard (Trial) for use on a voluntary basis until the implementation scope and requirements are specified.
		Hong Kong	<ul style="list-style-type: none"> Adopted ISSB S1 and S2 and issued the Hong Kong-equivalent HKFRS S1 and HKFRS S2. All Main Board issuers are required to disclose based on ISSB standards from 1/1/25 on a 'comply or explain' basis. Large cap issuers will be required to disclose based on IFRS S2 from 1/1/26. 	<ul style="list-style-type: none"> Issued Hong Kong version of ISSA 5000, HKSSA 5000, for use on a voluntary basis. Publish a consultation paper on proposed regulatory framework for sustainability assurance, requiring mandatory limited sustainability assurance in compliance with HKSSA 5000. The consultation paper proposed the phasing in of sustainability assurance as: <ul style="list-style-type: none"> Phase 1: Scope 1 and 2 GHG emission from the third financial year of the Mandatory HKSDS Reporting; and Phase 2: All remaining HKSDS-mandatory disclosures from the fifth financial year of the Mandatory HKSDS Reporting Comments close 30/3/26. Adopted the IESBA

No.	Region	Jurisdiction	Reporting developments	Assurance developments
		Malaysia	<ul style="list-style-type: none"> Adopted the IFRS S1 and S2 and mandated sustainability reporting (Scope 1, 2, and 3 emissions) for fiscal years beginning on or after: <ul style="list-style-type: none"> 1/1/27: Group 1 entities; 1/1/28: Group 2 entities; 1/1/30: Group 3 entities. 	<ul style="list-style-type: none"> <u>Adopted ISSA 5000 for use on a voluntary basis. Effective for periods beginning on or after 15/12/26 or as at a specific date on or after 1512/26, with early application permitted.</u>
		India	<ul style="list-style-type: none"> The SEBI mandated sustainability reporting based on its Business Responsibility and Sustainability Reporting (BRSR) Core framework.¹ The reporting framework consists of 9 KPIs and is not based on ISSB standards. The top 1000 listed entities are required to disclose sustainability reports based on the BRSR Core framework starting from FY 2023-24; and includes value chain and scope 3 from 2025-26. 	<ul style="list-style-type: none"> The SEBI has not mandated ISSA 5000 and allows companies to use the India-equivalent ISAE 3000 and ISAE 3410. The SEBI mandated reasonable assurance for the top 150 listed entities from FY 2023-24 and will progress to all 1000 entities by 2026-27. Limited assurance is required over scope 3.
		Indonesia	<ul style="list-style-type: none"> Issued Indonesian version of IFRS S1 and S2: PSPK 1 and PSPK 2. Effective from January 1, 2027, with early adoption permitted. 	<ul style="list-style-type: none"> No decision has been made.
		<u>Pakistan</u>	<ul style="list-style-type: none"> <u>The SEC of Pakistan mandated IFRS S1 and S2 for fiscal years beginning on or after:</u> <ul style="list-style-type: none"> <u>1/7/25: listed companies meeting two of the following criteria (1) more than PKR 25 billion annual turnover in last two consecutive years; (2) more than 1000 employees; or (3) more than PKR 12.5 billion total assets at last financial year</u> <u>1/7/26: listed companies meeting two of the following criteria (1) more than PKR 12.5 billion annual turnover in last two consecutive years; (2) more than 500 employees; or (3) more than PKR 6.25 billion total assets at last financial year</u> <u>1/7/27: all remaining public interest companies.</u> 	<ul style="list-style-type: none"> <u>Mandatory external assurance using ISSA 5000. Effective for sustainability information reported for periods beginning on or after 1/7/26.</u>
		<u>Philippines</u>	<ul style="list-style-type: none"> <u>The Philippine Financial and Sustainability Reporting Standards Council (FSRSC) and the Professional Regulatory Board of Accountancy (PRBOA) mandate IFRS S2 and S2 for fiscal years beginning on or after:</u> <ul style="list-style-type: none"> <u>1/1/26: Publicly listed companies (PLCs) with a market capitalisation of more than PHP 50 billion;</u> 	<ul style="list-style-type: none"> <u>The Philippine Securities and Exchange Commission (SEC) proposed to mandate limited assurance on Scope 1 and 2 GHG emissions for each tier.</u>

¹ The SEBI is aware of the development of IFRS S1 and S2, and **noted** that several common elements exist between BRSR and the ISSB standards, as both frameworks are benchmarked against TCFD.

No.	Region	Jurisdiction	Reporting developments	Assurance developments
			<ul style="list-style-type: none"> 1/1/27: PLCs with a market capitalisation of more than PHP 3 billion; 1/1/28: Other PLCs and Large non-listed entities (LNLs) with annual revenue of more than PHP 15 billion. 	
		Thailand	<ul style="list-style-type: none"> Adopted the ISSB standards and mandate sustainability reporting with a phasing implementation: <ul style="list-style-type: none"> 2027: Listed companies categorized in SET50 Index 2028: Listed companies categorized in SET100 Index 2029: All listed companies in SET 2030: Listed companies in MAI, REITs, IFFs, Infra Trusts, and Property Fund In the initial phase, Scope 3 can be omitted (only Scope 1 and 2 required). 	<ul style="list-style-type: none"> The SEC required listed companies to engage assurance providers to conduct assurance in accordance with internationally accepted assurance standards for the initial phase. The SEC Thailand proposed to mandate limited assurance in accordance with internationally accepted assurance standards (e.g. ISAE, ISSA 5000 or ISO).
7	Africa	South Africa	<ul style="list-style-type: none"> IRBA is undertaking a post-implementation review of the 2018 sustainability assurance standard and is likely to update based on ISSA 5000. 	<ul style="list-style-type: none"> Expected to adopt ISSA 5000.
		Zambia	<ul style="list-style-type: none"> Adopted the IFRS S1 and S2 and mandated sustainability reporting for fiscal years beginning on or after 1/1/25. 	<ul style="list-style-type: none"> Adopted ISSA 5000 and mandated assurance on sustainability reporting for periods beginning on or after 15/12/26 or as at a specific date on or after 15/12/26, with early application permitted.

**List of organisations reviewed
(in addition to the countries in the sustainability assurance table above)**

International Standard Setting Bodies

Public Interest Oversight Body (PIOB)
International Auditing and Assurance Standards Board (IAASB)
International Ethics Board for Accountants (IESBA)
International Sustainability Standards Board (ISSB)
International Accounting Standards Board (IASB)
International Public Sector Accounting Standards Board (IPSASB)
International Financial Reporting Standards Foundation (IFRS)

International Audit and Assurance Regulator Groups

International Forum of Independent Audit Regulators (IFIAR)
International Organisation of Securities Commissions (IOSCO)
International Accreditation Forum (IAF)

International Professional Bodies

International Federation of Accountants (IFAC)
Association of Chartered Certified Accountants (ACCA)

Australia

Accounting Professional & Ethical Standards Board (APESB)
Australian Accounting Standards Board (AASB)
Australian Institute of Company Directors (AICD)
Australian National Audit Office (ANAO)
Australian Securities & Investments Commission (ASIC)

Big 6 Audit Firms (Deloitte, EY, KPMG, PwC, BDO and Grant Thornton)
Chartered Accountants Australia and New Zealand (CA ANZ)
Clean Energy Regulator (CER)
Parliamentary Joint Committee (PJC) on Corporations and Financial Services
The Treasury

New Zealand

External Reporting Board (XRB)
New Zealand Auditing and Assurance Standards Board (NZAuASB)

Europe

Committee of European Auditing Oversight Bodies (CEAOB)
The European Commission

United Kingdom

Financial Reporting Council (FRC)
Institute of Chartered Accountants in England and Wales (ICAEW)

United States

Securities and Exchange Commission (SEC)
Public Company Accounting Oversight Board (PCAOB)
American Institute of Certified Public Accountants (AICPA) & Chartered Institute of Management Accountants (CIMA)
Centre for Audit Quality (CAQ)

Canada

Canadian Public Accountability Board (CPAB)
Canadian Auditing and Assurance Standards Board (AASB)
Canadian Sustainability Standards Board (CSSB)

Singapore

Accounting and Corporate Regulatory Authority (ACRA)
Singapore Exchange (SGX)
Institute of Singapore Chartered Accountants (ISCA)

Japan

Sustainability Standards Board of Japan (SSBJ)



AUASB Agenda Paper

Title:	Responding to IAASB and IESBA Strategy Survey	Date:	25 February 2026
Office of the AUASB:	Rene Herman	Agenda Item:	6.1

Objectives of this agenda paper

- The objectives of this agenda paper are to:
 - Inform AUASB members of the Office of the AUASB's plan for outreach and response on the [IAASB and IESBA's Joint Survey](#) (Joint Survey); and
 - Seek any feedback from AUASB members on that plan.

Question for AUASB members

No.	Question
1	Do AUASB members have any feedback on the outreach and response plan (see paragraph 6 below)?

Background information

- IAASB and IESBA stakeholders have cited the benefit of the IAASB and IESBA (together referred to as the Standard Setting Boards (SSBs)) integrating their work efforts further.
- During the September 2025 IAASB and IESBA meetings, the SSBs considered and agreed with:
 - A coordinated approach to gather input from stakeholders to inform the SSBs' Strategies and Work Plans for 2028–2031 (SWPs); and
 - Developing separate Consultation Papers and SWPs, recognising their different remits and subjects.
- The Joint Survey released in January 2026 is the next step in developing the SSBs' SWPs. Responses are due by 15 May 2026.
- The Joint Survey comprises the following five sections:

No.	Section	Comments
I	About the respondent	N/A
II	Background	Not for response.
III	SSBs' strategic positioning for 2028–2031	<p>Asks what the SSBs should aspire to achieve during the 2028-2031 strategy period 2028. Example areas given are:</p> <ul style="list-style-type: none">The relevance, responsiveness and impact of the SSBs' standard-setting and related activities.Broader adoption and effective implementation of the SSBs' standards.The SSBs' interaction and engagement with key stakeholder groups.The SSBs' ability to serve the public interest. <p>The survey is <u>not</u> seeking input on each SSB's work plan or projects for the period 2028-2031. There will be a separate consultation process on the work plans later in 2026.</p>

No.	Section	Comments
IV	<p>Key trends impacting the SSBs</p> <ul style="list-style-type: none"> ➤ Digital transformation ➤ Changes in geopolitical and regulatory landscape ➤ Evolving expectations concerning sustainability information <p>Evolving structure and business models of accounting firms</p>	<p>The questions on key trends support extensive SSB outreach to date. Papers outlining key trends were presented to the IAASB's September 2025 and December 2025 meeting. AUASB member input was sought on these trends at the 10 September 2025 AUASB meeting (see agenda paper 2.3).</p> <p>Some of the questions in this section of the survey relate solely to ethics and may not be covered in the AUASB response.</p>
V	Areas for joint action in the SSBs' work plans	Asks for views about areas of common interest for the SSBs and possible joint or parallel work plan topics (e.g. standard-setting or non-authoritative materials), or other initiatives or activities.

Plan for outreach and response

6. The table below shows the Office of the AUASB's plan for outreach on the Joint Survey and for responding to the survey.

Timing	Event
February 2026	Finalise date for joint virtual stakeholder roundtable with APESB. Issue News Item and LinkedIn post on the Joint Survey and virtual roundtable.
11 March 2026	Seek AUASB member initial input on survey at AUASB meeting.
15 April 2026	Seek AUASB member input at AUASB meeting on an initial draft survey response.
Between 16 and 21 April 2026	Hold a virtual Roundtable jointly with the APESB. The timing is constrained by other APESB commitments. Written stakeholder responses will not be sought.
By 24 April 2026	Circulate updated draft survey response to AUASB members for input.
15 May 2026	Deadline for response to IAASB.



AUASB Agenda Paper

Title:	IAASB's Post-Implementation Review of ISA 540 (Revised)	Date:	25 February 2026
Office of the AUASB:	Rene Herman	Agenda Item:	6.2

Objectives of this agenda paper

1. The objectives of this Agenda Paper are to:
 - a) Inform members of the Office of the AUASB's proposed plan of outreach and response on the IAASB's Post-Implementation Review of ISA 540 (Revised) *Auditing Accounting Estimates and Related Disclosures* – Proposed Public Consultation Survey (PIR ISA 540 Survey); and
 - b) Seek any feedback from AUASB members on that plan.

Question for AUASB members

No.	Question
1	Do AUASB members have any feedback on the outreach and response plan (see paragraph 5 below)?

Background information

2. In September 2025, the IAASB agreed a plan to perform a post-implementation review (PIR) of ISA 540 (Revised). That plan indicates that the IAASB aims to:
 - a) Determine whether ISA 540 (Revised) has achieved its intended purpose by identifying:
 - Improvements or benefits from applying the revised standard; and
 - Practical challenges or questions regarding its application, including whether it is being consistently understood and implemented; and
 - b) Determine what actions, if any, are needed by the IAASB to address identified matters
2. The IAASB intends undertake a formal public consultation survey to gather information from a broad range of stakeholders. The survey is not yet available. The survey is expected to be open for 120 days.
3. The IAASB will use the survey and other targeted outreach activities to inform next steps, which may include further information-gathering activities, standard-setting activities and/or development of non-authoritative materials. The IAASB may also determine that no further action is needed or that there are opportunities to facilitate or support actions by others. A key consideration will be the nature and extent of any perceived challenges, including whether those challenges are due to lack of clarity or insufficiency of the requirements or application material in the standard.
4. The survey questionnaire is expected to cover the following:
 - Scalability and Proportionality
 - Professional scepticism
 - Risk Assessment procedures
 - Responses to assessed risk of material misstatement
 - Communications, specialised skills and documentation

Plan for outreach and response

5. The table below shows the Office of the AUASB's plan for outreach on the survey and for responding to the survey. It assumes that the IAASB launches the survey in late February or early March 2026, and is subject to change.

Timing	Event
Early March 2026	Issue News Item and LinkedIn post on the release of the IAASB survey and the AUASB virtual roundtable (see below).
May 2026	<ul style="list-style-type: none">• Meet with stakeholders such as largest 6 firms, LNNDG (mid-tier firms), ACAG, ASIC and APRA, professional bodies.• Hold a virtual Roundtable on IAASB survey.
12 June 2026	Seek AUASB member input at AUASB meeting on an initial draft response to the IAASB Survey.
Week beginning 22 June 2026	Circulate updated draft survey response to AUASB members for input.
End June 2026	Deadline for response to IAASB.



AUASB Agenda Paper

Title:	Revised GS 018 <i>Franchising Code of Conduct – Auditor’s Report</i>	Date:	25 February 2026
Office of the AUASB:	Marina Michaelides	Agenda Item:	7.0

Objective of this Agenda Paper

1. This Agenda Item seeks AUASB approval of revised GS 018 *Franchising Code of Conduct – Auditor’s Report* (GS 018) on the audit of standalone solvency statements of franchisors. See revised draft GS 018 at Agenda Paper 7.1 (which is consistent with the version included in the 10 September 2025 Board papers, except as noted in paragraph 17 below).

Questions for AUASB members

No.	Question
1	Do AUASB members have any comments on: (a) The draft revised GS 018 (including the example auditor’s report in Appendix 2); and (b) The proposal to rename the ‘Inherent limitation’ section from the example auditor’s report to an ‘Other matter’ section (see paragraph 17 below).
2.	Subject to any comments/changes in response to Question 1 (and any minor typographical changes), do AUASB members approve the revised GS 018?

Background

2. GS 018 concerns the requirement in Item 21(4) in Annexure 1 of the *Competition and Consumer (Industry Code – Franchising) Regulations 2014* (2014 Code) for a separate standalone audit opinion on a solvency statement by the franchisor’s directors.
3. The 2014 Code was repealed in December 2024 and replaced by the [Competition and Consumer \(Industry Code – Franchising\) Regulations 2024](#) (2024 Code) which contain similar requirements for the audit of a solvency statement (Item 21(4) of Schedule 1). There are no substantive differences between the relevant requirements of the 2014 and 2024 Codes. The relevant provisions of the 2024 Code appear in Appendix 1 to the draft revised GS 018.
4. Typically, the auditor of the solvency statement is also the auditor of the franchisor’s financial report. The solvency statement provides the directors’ opinion as to whether there are reasonable grounds to believe that the franchisor will be able to pay its debts as and when they fall due. This is similar to the solvency statement required in the directors’ declaration under s295(4) of the *Corporations Act 2001*.
5. A stakeholder requested that the example audit report in GS 018 be updated to refer to the 2024 Code instead of the 2014 Code.

Matters for Consideration

A. Due process

6. The Office of the AUASB has reviewed the 2024 Code and consulted with the stakeholder who approached the Office of the AUASB and the CEO of Franchise Council of Australia.
7. At the September 2025 Board meeting two practitioner members raised questions on:
 - (a) whether the subject matter of GS 018 is underpinned by the auditing standards or other assurance standards; and
 - (b) whether the inherent limitation paragraph should be retained.
8. Since the September 2025 Board meeting the Office of the AUASB reached out to all practitioner member firms and met with two firms who undertake these engagements to discuss in more detail their views on where GS 018 might sit in the assurance framework and the proposed changes to GS 018 including the example audit report.

9. Because the requirements for the audit of the solvency statement have not changed, only narrow scope amendments are proposed to be made to GS 018:
 - (a) Updating references to the 2014 Code to refer to the 2024 Code;
 - (b) Adding more examples of information to consider in assessing solvency;
 - (c) Updating references to changed AUASB standards; and
 - (d) Renaming the 'Inherent limitations' paragraph in the example audit report to an 'Other matter' paragraph.
10. Given that the revisions are narrow in scope and the 2024 Code applies for years ended 30 June 2025, a formal project plan and full consultation process is not required by the [AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#) (see paragraph 172).
11. During the course of updating the GS, the Office of the AUASB noted that the existing guidance in GS 018 is focused more on going concern instead of solvency, which are separate concepts. Amendments have been made to the draft revised GS 018 to focus on solvency. The example auditor's report has also been amended for the circumstances of the engagement.

B. Framework

12. Paragraph 14 of GS 018 refers to [ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Information](#). The audit procedures performed on the solvency statement are likely to include an analysis and assessment of future cash flows, revenue and payment streams and reflect assumptions that are dependent upon future events.
13. However, GS 018 is based on *ASA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* rather than *ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ASAE 3450. The solvency statement concerns the ability to meet debts as and when they fall due and does not present forecasts. Although ASA 540 deals with monetary accounting estimates (e.g. goodwill and other intangible assets), paragraph 14 of GS 018 has been amended to refer to ASA 540 by analogy instead of ASAE 3450. An auditor may analyse and assess future cash flows for accounting estimates that involve judgements about future conditions or events under ASA 540.
14. ASA 805 deals with an audit of a single financial statement or of a specific element, account or item of a financial statement. Although audit of the solvency statement does not necessarily fit neatly within ASA 805, the use of ASA 805 as the basis for GS 018 is consistent with the solvency statement in the directors' declaration being part of the financial report audited under the *Corporations Act 2001*. The solvency statement under the franchising code is often accompanied by the financial report and code statement is audited by the franchisor's financial report auditor. When the Office of the AUASB met with the two firms (see paragraph 8 above), one firm suggested that ASAE 3000 should apply. Both firms agreed that while not an exact fit to ASA 805, GS 018 should not be opened and realigned to ASAE 3000 given that this would not result in any substantive changes to GS 018.

C. Example auditor's report

15. The current example auditor's report in Appendix 2 of GS 018 includes sections on 'Basis of Preparation and Distribution' and 'Inherent Limitation'.
16. In the draft revised GS 018, the 'Basis of Preparation and Distribution' section has been re-titled to 'Emphasis of Matter – Basis of Preparation and Restriction on Distribution' to align with the wording in ASA 805 Appendix 2.
17. The 'Inherent Limitation' section has been renamed to an 'Other Matter' paragraph which is consistent with GS 018 being linked to ASA 805. An 'Other Matter' paragraph as defined in ASA 706 is used to draw users' attention to an other matter. Both firms that the Office of the AUASB met with expressed a desire to retain the concept of the 'inherent limitation' section from a practical perspective with one suggesting that it be renamed to an 'Other Matter' section in line with where GS 018 sits in the Framework for Assurance Engagements.
18. Paragraph 11 of ASA 805 states that when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700 adapted as necessary in the circumstances of the engagement. The auditor's report is drafted in accordance with ASA 700 and adapted for the circumstances of the engagement.

Next steps

19. Subject to any feedback and approval from AUASB members, the revised GS 018 will be issued as soon as practicable.

Materials presented

Agenda Item	Title
7.1	Revised draft GS 018 (Mark-up from extant)

GS 018

(~~June 2015~~ February 2026)

Guidance Statement GS 018

Franchising Code of Conduct – Auditor's Report

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

This Guidance Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Important Note

Guidance Statements are developed and issued by the AUASB to provide guidance to auditors and assurance practitioners on the application of AUASB Standards and, where relevant, legislation regulation or other authoritative publications, to assist auditors and assurance practitioners to comply with AUASB Standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard or standards of general application to particular circumstances or specialised industries/sectors ~~certain procedural, entity or industry specific matters related to the application of an AUASB Standard(s).~~

Guidance Statements are designed to provide assistance to auditors and assurance practitioners to achieve the objectives of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of a specific AUASB Standard(s); and, where relevant, legislation, regulation or other authoritative publication. Guidance Statements are not aimed at providing guidance covering all aspects of the audit or other assurance engagement.

Guidance Statements, whilst formally approved and issued by the AUASB, do not establish new principles or amend existing standards. Guidance Statements therefore do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable.

~~Guidance Statements are designed to provide assistance to auditors and assurance practitioners to assist them in fulfilling the objective(s) of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of specific AUASB Standard(s); and where relevant, legislation, regulation or other authoritative publication. Guidance Statements are not aimed at providing guidance covering all aspects of the audit or other assurance engagement. Further, Guidance Statements do not establish or extend the requirements under an existing AUASB Standard(s).~~

Guidance Statement **GS 018 *Franchising Code of Conduct – Auditor's Report*** is not, and is not intended to be, a substitute for compliance with the relevant AUASB Standard(s) and auditors and assurance practitioners are required to comply with the relevant AUASB Standard(s) when conducting an audit or other assurance engagement.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 018 *Franchising Code of Conduct – Auditor's Report* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

This Guidance Statement does not prescribe or create new requirements.

Dated: ~~15 June 2015~~

~~M H Kelsall~~ D Niven
Chairman - AUASB

Conformity with International Pronouncements

There is no equivalent International Standard on Auditing or International Auditing Practice Note (IAPN) to this Guidance Statement.

GUIDANCE STATEMENT GS 018

Franchising Code of Conduct – Auditor's Report

Application

1. This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors to interpret, discharge and report under Item 21 of ~~Annexure Schedule 1~~ to the *Competition and Consumer (Industry Codes—Franchising) Regulations 2014* ~~Franchising Code of Conduct~~¹ (the “Franchising Code”).

Issuance Date

2. This Guidance Statement is issued on ~~15-XX June 2015~~ ~~February 2015~~ ~~2026~~⁵ by the AUASB and replaces GS 018 *Franchising Code of Conduct – Auditor's Report*, issued in ~~October 2010~~ ~~June 2015~~.

Introduction

3. Item 21 of ~~Annexure Schedule 1~~² to the Franchising Code (~~Annexure Schedule 1~~) imposes mandatory disclosure requirements on the franchisor in relation to financial details, which must be provided to franchisees or prospective franchisees when entering into a new franchise agreement on or after 1 ~~January 2015~~ ~~April 2025~~.
4. Audit engagements undertaken in relation to the financial details as required under Item 21 of ~~Annexure Schedule 1~~ are performed under ASA 805 *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. This standard states that when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700 *Forming an Opinion and Reporting on a Financial Report* as necessary in the circumstances of the engagement.
5. In undertaking audit engagements under Item 21 of ~~Annexure Schedule 1~~, the auditor is required to provide the audit report to the franchisor within four months after the end of the financial year to which the statement of the franchisor’s solvency (directors’ statement) relates.

Nature and Extent of the Audit Engagement

Item 21-(1) of ~~Annexure Schedule 1~~

6. The directors’ statement required by Item 21-(1) of ~~Annexure Schedule 1~~ includes the directors’ opinion on “solvency” as at the end of the last financial year as to whether there are reasonable grounds to believe that the franchisor will be able to pay its debts as and when they fall due.
7. The auditor’s responsibility is to form and express an opinion on the directors’ statement made pursuant to Item 21-(1) of ~~Annexure Schedule 1~~. The substance of this responsibility is similar to that assumed by a company auditor in relation to the “solvency” statement by directors which forms part of the directors’ declaration under Section 295(4) of the *Corporations Act 2001* (the “Act”), and on which the auditor forms an opinion and reports, as

¹ ~~The Franchising Code of Conduct came into operation on 1 July 1998 and the revised Competition and Consumer (Industry Code – Franchising) Regulation 2014 (issued Oct 2014) was repealed and replaced by Competition and Consumer (Industry Codes—Franchising) Regulations 2024 (issued December 2024) applicable from 1 January-April 2025.~~ A copy of the Code is available from the Australian Competition and Consumer Commission (ACCC) website (<http://www.accc.gov.au>).

² Refer to Appendix 1 which sets out the Financial details under Item 21 of ~~Annexure Schedule 1~~ to the Franchising Code, to be included in the franchisor’s disclosure document prepared for a franchisee or prospective franchisee looking to enter into a franchise agreement from 1 ~~January-April 2015~~ ~~2025~~.

a component of the financial report, under the Act. For audits under the Act, the auditor's opinion on the directors' solvency statement is derived from, and is integral to, the audit process related to forming an opinion on the financial report and the appropriateness of the going concern basis in accordance with ASA 570 *Going Concern*.

8. ~~In the case of an audit under the Act, the auditor's responsibility is to consider the appropriateness of the going concern basis (defined for financial reporting purposes) in the context of the audit of a financial report. The auditor therefore considers the going concern assumption under ASA 570 (including solvency) for the "relevant period"³, being the period from the date of the auditor's current report to the expected date of the next auditor's report on the financial report for the next period. Solvency and going concern are related but separate concepts. Determining solvency is separate from assessing going concern, and whilst rare, the outcome of these assessments may differ. A franchisor can be solvent but not use the going concern basis of accounting if the franchisor is able to pay its debts as and when they fall due but intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. In rare cases, a franchisor can be insolvent but continue using the going concern basis of preparation if they are expected to become solvent again, avoid liquidation and continue trading.~~

~~Item 21-(2) and 21-(3) of Annexure Schedule 1~~

9. If requested by the franchisee and they are available the franchisor should provide to the franchisee or prospective franchisees as part of the Disclosure documents under Item 21-(2) or 21-(3) of ~~Annexure Schedule 1~~, the financial reports of the franchisor for each of the last two completed financial years or as part of the consolidated entity (or foreign equivalent) which are accompanied by an independent audit report addressed to the directors of the franchisor.

~~Item 21-(4) and 21-(5) of Annexure Schedule 1~~

10. In the event that clause 21-(4) or 21-(5) of ~~Annexure Schedule 1~~ applies and the auditor (either a registered company auditor or for foreign franchisors, a foreign equivalent) is engaged to provide an independent audit report on the directors' statement under Item 21-(1) of ~~Annexure Schedule 1~~, the audit report is required to be provided within four months of the end of the financial year to which the directors' statement relates. The implication for the auditor will be on managing workflow, client expectations and meeting all reporting requirements in a shorter time frame.
11. While recognising that for entities subject to audit under the Act, there is an interrelationship between the opinion under the Act and that required under Item 21-(4) or 21-(5) of ~~Annexure Schedule 1~~, the audit report issued under Item 21-(4) or 21-(5) of ~~Annexure Schedule 1~~, is undertaken as a separate engagement. It is acknowledged, however, that in situations where the audit reports are to be provided by the same auditor, much of the evidence to support the opinion under Item 21-(4) and 21-(5) of ~~Annexure Schedule 1~~ will be derived from the financial report audit under the Act.
12. For engagements under Item 21-(4) and 21-(5) of ~~Annexure Schedule 1~~, the auditor considers the risks inherent in issuing an audit report without the support of an accompanying financial report. For example, unlike the auditor's opinion on solvency under the Act, which is one element of the information reported on by the auditor, the Item 21-(4) and 21-(5) of ~~Annexure Schedule 1~~ opinion is a specific audit report on the directors' statement and stands in its own right.
13. In situations where no audit has been conducted as at the end of the last financial year, the nature and extent of the audit procedures to be undertaken by an auditor on a ~~franchisor entity's~~ financial information, may be similar to those required to express an audit opinion under the Act, before being able to report under Item 21-(4) or 21-(5) of

³ — ~~Refer to the definition of relevant period in ASA 570, paragraph Aus 13.2.~~

~~Annexure-Schedule~~ 1. Whilst the audit process need not be directed to supporting an opinion on a complete financial report, but rather on the directors' assertion in their statement, the auditor may, for example need to have obtained sufficient appropriate audit evidence under ASA 500 *Audit Evidence* about the assets, liabilities, revenues, expenses, cash flows, budgets and projections of the entity in order to assess the basis for the directors' statement.

14. The audit procedures performed to be able to report under Item 21-(4) or 21-(5) of ~~Annexure-Schedule~~ 1, are likely to include an analysis and assessment of ~~prospective-forward-looking~~ information in relation to cash flows, revenue and payment streams and reflect assumptions that are dependent upon future events which may be subject to risks inherent in the business and future economic conditions. The auditor applies professional judgement in auditing any assumptions ~~to determine their reasonableness as such evidence is future-oriented and speculative in nature about future events or conditions.~~

15. ~~The auditor may refer to ASAE 3450-540 Auditing Accounting Estimates and Related Disclosures Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information~~ for further guidance on this area. While dealing with accounting estimates, ASA 540 may be applied by analogy.

16. Information to consider in analysing and assessing solvency may include:

(a) cash balances or overdrafts, the amount and timing of operating cash inflows, access to credit lines and undrawn facilities, and the liquidity of non-core investments;

(b) the timing and amount of payment obligations, supplier credit terms, debt repayment dates, and the end date for any loan repayment or rent holidays;

(c) the ability of customers and borrowers (including related parties) to meet their obligations to the company, including meeting credit and repayment terms;

17. known or likely changes in economic and market conditions, consumer behaviours and demand, performance of franchisees, inventory turnover, supply chains, production processes, and ability to deliver goods and services;

18. ability of the franchisor to comply with debt covenants and normal terms of credit, renegotiate debt arrangements, and refinance maturing debt;

(d) the possibility of withdrawal of financial support by major lenders;

(e) the possibility of debt factoring arrangements, customer supply chain financing or financial support by a parent company not continuing;

(f) ability of a parent or shareholders of the company to meet any financial support arrangements;

(g) the solvency of any entities to which the company has given financial guarantees or offers of financial support; and

~~(a)(h)~~ any uncertainties affecting the above.

Item 21-(6) of ~~Annexure-Schedule~~ 1

~~14.19.~~ In situations where the franchisor or the entity ~~was~~^{is} insolvent in either or both of the last two completed financial years, and ~~is~~^{is} required to report under Item 21-(6) of ~~Annexure-Schedule~~ 1, the auditor considers the guidance contained in paragraphs 10 ~~to~~ 14 of this guidance statement. The auditor considers the date on which the statutory declaration of the franchisor's solvency is provided and the date at which they sign the independent audit report in order to consider whether any subsequent events under ASA 560 *Subsequent Events* have been reported appropriately by the franchisor.

Other Considerations under the Franchising Code

- ~~15.20.~~ The franchisor is also required to disclose to the franchisee or prospective franchisee under section ~~17.34~~ of the Franchising Code any materially relevant facts that may affect a statement, declaration or a document referred to in Item 21 of ~~Annexure-Schedule 1~~, as soon as reasonably practicable prior to the parties entering into the franchise agreement.
- ~~16.21.~~ In the circumstances where a materially relevant fact becomes known after the disclosure document is completed, the matter should be brought to the attention of the franchisee or prospective franchisee in writing within a reasonable time but not more than 14 days after the franchisor becomes aware of the matter.
- ~~17.22.~~ The auditor needs to enquire of the franchisor as to whether there are any materially relevant facts that should be brought to their attention and apply professional judgement to determine any impact on the engagement specific audit approach of such facts.
- ~~18.23.~~ In the case where a materially relevant fact becomes known to the auditor after completion and distribution of the disclosure document (including the audit report) to the franchisee or prospective franchisee that may have caused the auditor to amend the audit report, the auditor needs to follow the requirements in ASA 560 to resolve the matter.

Audit Approach

- ~~19.24.~~ The nature, timing and extent of the audit procedures appropriate to achieve reasonable assurance on the directors' statement under Item 21-(4) or 21-(5) of ~~Annexure-Schedule 1~~, are a function of the circumstances of each engagement, and will depend on:
- (a) whether the auditor is a new or continuing auditor;
 - (b) the proximity of the most recent audited financial report;
 - (c) the extent and nature of changes in the entity's activities and/or industry/industries in which it operates since the issue of the most recent audited financial report; and
 - (d) the nature, timing and extent of the audit procedures conducted since the issue of the most recent audited financial report.

Continuity in Auditor

- ~~20.25.~~ For the continuing auditor where an audited financial report has recently been issued under the Act which includes the directors' opinion on solvency as part of the directors' declaration, the audit process may be limited to a consideration of any changes in the entity's circumstances from the date of the audited financial report. This may involve the auditor:
- (a) enquiring of management/directors as to the basis on which ~~they have formed their~~ opinion on solvency under Item 21-(1) of ~~Annexure-Schedule 1~~ ~~has been formed~~, and evaluating the appropriateness of any new assumptions underlying their opinion;
 - (b) updating knowledge of the entity's business and industry, to evaluate whether there have been any significant changes to the appropriateness of significant assumptions underlying the previous solvency opinion⁴. Particular emphasis may need to be given to any changes in expectations concerning cash flow, trading conditions, financial commitments, financing arrangements etc;
 - (c) enquiring as to any changes to the entity's internal control structure in relation to cash flow and management of debt; and

⁴ Refer to ASA 315 *Identifying and Assessing the Risks of Material Misstatement* ~~through Understanding the Entity and Its Environment~~ for further guidance on areas the auditor needs to consider when undertaking the audit.

- (d) applying appropriate analytical review procedures, for example comparing the latest management accounts with budgets and cash flow forecasts.

In the absence of evidence contrary to the representations made by the directors in their Item 21-(1) of ~~Annexure-Schedule~~ 1 statement, and for the auditor to report under Item 21-(4) or 21-(5) of ~~Annexure-Schedule~~ 1, ASA 700 states that the auditor shall form an unmodified opinion.

~~21.26.~~ Significant changes in fundamental assumptions and/or conditions, for example changes in the nature of the entity's business, plans for significant acquisitions and disposals may require application of more extensive audit procedures. Some examples of audit procedures the auditor may consider are provided in paragraph 23(c) of this guidance statement.

Initial Engagement – New Auditor

~~22.27.~~ For an auditor undertaking an initial audit engagement, and/or a situation where there has been a significant time lag since the issue of the latest audited financial report, and less extensive audit procedures applied in relation to forming an audit opinion on the financial report in the current financial period, the nature, timing and extent of the audit procedures may need to be more extensive. This may involve the auditor placing further emphasis on certain areas of the audit, but is not limited to, the following:

- (a) understanding the entity and its environment and assessing the risks of material misstatement under ASA 315 .
- (b) consideration of procedures to obtain information for use in identifying the risks of material misstatement due to fraud under ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report- Appendix 2*.
- (c) obtaining sufficient appropriate audit evidence under ASA 500 to support the directors' statement:
 - (i) enquiring of management as to the basis on which they have formed their opinion on solvency and evaluating the appropriateness of the assumptions on which this is based;
 - (ii) reviewing procedures and controls over cash flows, trading conditions, financial commitments etc that may affect cash flow e.g. collection of debtor days and budgetary forecasts and the ability of the entity to pay its debts as and when they fall due;
 - (iii) appropriateness of management's use of the going concern assumption in the preparation of the directors' statement under ASA 570; and
 - (iv) obtaining written representations under ASA 580 *Written Representations* from management based on the assertions made throughout the engagement; ~~and~~.
- (d) consideration of subsequent events under ASA 560 that may have the potential to affect the directors' statement.

~~23.28.~~ In any of the situations described above where the audit procedures create doubt as to the directors' representations concerning solvency, additional audit procedures may need to be undertaken to enable an opinion to be expressed.

Auditor's Report

~~24.29.~~ The auditor is concerned with obtaining sufficient appropriate audit evidence that the position and declaration given in the directors' statement pursuant to Item 21-(1) of

~~Annexure Schedule 1 is fairly presented,~~ based on the foreseeable commercial circumstances facing the entity and which the auditor can reasonably perceive to exist.

30. If, as a result of applying the appropriate level of audit procedures, the auditor forms the opinion that there is sufficient and appropriate audit evidence obtained to support the representations made by the directors in their statement, the auditor issues an unmodified auditor's report under ASA 700. An example report is provided in Appendix 2 to this Guidance Statement⁵.

~~25.31. The report under ASA 700 is amended for the circumstances of the engagement (see paragraph 11 of ASA 805).~~

~~26.32.~~ If the auditor is of the opinion that the audit evidence is inconsistent with the representation made by the directors, ~~under ASA 570 the auditor needs should to~~ communicate with those charged with governance e.g. directors and/or audit committee of the franchisor, ~~events or conditions arising from the audit that in the auditor's professional judgement may cast significant doubt on the entity's ability to continue as a going concern under ASA 570 and~~ issue a modified report under ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*. In this scenario, the auditor may need to consider the basis for the modification and whether this may potentially result in a breach of the Franchising Code and may deem it appropriate to obtain legal advice to determine the appropriate course of action in the circumstances.

~~27.33.~~ If the auditor is of the opinion that there is sufficient and appropriate audit evidence to support the representation made by the directors that events exist that put into doubt the ability of the entity to pay its debts as and when they fall due, the auditor expresses an unqualified opinion but adds an emphasis of matter section. ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* may provide the auditor with some further guidance in this area.

~~28.34.~~ Item 21.4(b) of ~~Annexure Schedule 1~~, requires the copy of the independent audit [report] to be provided with the directors' statement before distribution of that report by the franchisor to any franchisee or prospective franchisee.

Conformity with International Pronouncements

~~29. There is no equivalent International Auditing Practice Statement (IAPS) or Auditing Standard to this Guidance Statement.~~

⁵ This example independent audit report on a Directors' Solvency Statement can be adapted accordingly for similar audit engagements across different subject matter e.g. *Competition and Consumer (Industry Codes-Oil) Regulations 2017* ~~Competition and Consumer (Industry Codes—Oil code) Regulation 2006~~.

Appendix 1

(Ref: Para. 3)

Excerpt from Franchising Code of Conduct

21 Financial details

~~21-(1)~~ A statement of the franchisor's solvency that:

- (a) reflects the franchisor's position:
 - (i) at the end of the last financial year; or
 - (ii) if the franchisor did not exist at the end of the last financial year—at the date of the statement; and
- (b) is signed by at least one director of the franchisor; and
- (c) gives the directors' opinion as to whether there are reasonable grounds to believe that the franchisor will be able to pay its debts as and when they fall due.

~~21-(2)~~ Financial reports for each of the last two completed financial years in accordance with sections 295 to 297 of the *Corporations Act 2001*, or a foreign equivalent of that Act applicable to the franchisor, prepared by the franchisor.

Note: See also items ~~21-(4)~~ to ~~21-(6)~~.

~~21-(3)~~ If:

- (a) the franchisor is part of a consolidated entity that is required to provide audited financial reports under the *Corporations Act 2001*, or a foreign equivalent of that Act applicable to the consolidated entity; and
- (b) a franchisee requests those financial reports;- financial reports for each of the last two completed financial years, prepared by the consolidated entity.

Note: See also items ~~21-(4)~~ to ~~21-(6)~~.

~~21-(4)~~ Items ~~21-(2)~~ and ~~21-(3)~~ do not apply if:

- (a) the statement under item ~~21-(1)~~ is supported by an independent audit provided by:
 - (i) a registered company auditor; or
 - (ii) if the franchisor is a foreign franchisor—a foreign equivalent for that franchisor;within four months after the end of the financial year to which the statement relates; and
- (b) a copy of the independent audit is provided with the statement under item ~~21-(1)~~.

~~21-(5)~~ If the franchisor or consolidated entity (the *entity*) has not existed for two or more financial years, then instead of providing the financial reports mentioned in item ~~21-(2)~~ or ~~21-(3)~~, the following:

- (a) a statutory declaration of the entity's solvency;

- (b) an independent audit report on the entity's solvency as at the date of the entity's declaration.

| ~~21.1(6)~~ (6) If the franchisor or consolidated entity (the *entity*) was insolvent in either or both of the last two completed financial years, the following:

- (a) a statement of the period during which the entity was insolvent;
- (b) a statutory declaration of the entity's solvency;
- (c) an independent audit report on the entity's solvency as at the date of the entity's declaration.

Appendix 2

(Ref: Para. 296)

Example of An Unmodified Auditor's Report

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement by directors ("the statement") of [name of franchisor] dated [insert date] [which reflects [name of franchisor] position at [date] and the directors' declaration of the entity's solvency] made for the purposes of fulfilling the requirements of Item 21 of Annexure Schedule 1 to the Competition and Consumer (Industry Codes—Franchising) Regulations 2024 (Franchising Code of Conduct).

In our opinion, the statement ~~dated as at~~ [insert date of the end of the last financial year], ~~presents fairly, in all material respects, the directors' opinion~~ pursuant to Item 21 of Annexure Schedule 1 to the Franchising Code of Conduct, that there are reasonable grounds to believe that [name of franchisor] will be able to pay its debts as and when they fall due is not materially misstated over the 12 month period from [date of financial year end].

Basis of 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 Statement* section of our report. We are independent of the franchisor in accordance with the ethical requirements of the Accounting Professional and 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 statement in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Preparation and Restriction on Distribution

The statement has been prepared pursuant to Item 21 of Annexure Schedule 1 to the Franchising Code of Conduct for distribution to the franchisees and prospective franchisees of [name of franchisor]. As a result, the statement may not be suitable for another purpose. Our report is intended solely for the franchisees and prospective franchisees of [name of the franchisor] and should not be distributed to parties other than the franchisees and prospective franchisees of [name of the franchisor]. Our opinion is not modified in respect of this matter. We disclaim any assumption of responsibility for any reliance on this audit report or on the statement to which it relates to any other party, or for any purpose other than that for which it was prepared.

Directors' Responsibility for the Statement

The [name of franchisor] directors are responsible for ~~the preparation and fair presentation of the statement as at [date of financial year end] to reflect the position of the franchisor at that date, and assessing~~ the ability of [name of franchisor] to meet their debts as and when they fall due ~~over the 12 month period from that date as at date [the end of the last financial year]~~. This responsibility includes such controls as the directors determine is necessary to enable the preparation of a statement that is free from material misstatement, whether due to fraud or error.

~~In preparing the statement, directors are responsible for assessing the franchisor's ability 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 franchisor or to cease operations, or have no realistic alternative but to do so.~~

~~The directors are responsible for overseeing the franchisor's financial reporting process.~~

Auditor's Responsibilities for the Audit of the Statement

Our objectives ~~is are~~ to obtain reasonable assurance about whether the statement ~~as a whole~~ is free from material misstatement, 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 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 the statement.

The following information may be provided in the body of the Auditor's Report or as an Appendix to the Auditor's Report

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- *Identify and assess the risks of material misstatement in the statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the franchisor's internal control.*

~~Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.~~

- ~~Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the franchisor's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to this matter or, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the franchisor to cease to continue as a going concern.~~

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

~~We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.~~

Other MatterInherent Limitation

Because of the subjective nature of prospective information required to fulfil the requirements of Item 21 of Annexure 1 to the Franchising Code, the persuasiveness of the evidence available is limited. Prospective information is information about events and/or actions that have not yet occurred and may not occur. It reflects assumptions about future events and is subject to future changes in the business and economic conditions. Whilst evidence is available to support the assumptions on which the directors' opinion is based, such evidence is future orientated and speculative in nature. As a consequence, actual results are likely to be different from the information on which the audit opinion is based, since anticipated events frequently do not occur as expected or assumed and the variations between the prospective opinion and the actual outcome may be significant.

future and could be subject to future changes in the business and economic conditions. Whilst evidence is available to support the assumptions on which the directors' opinion is based, such evidence is future orientated and speculative in nature. Consequently, actual results are likely to be different from the information on which the audit opinion is based, since anticipated events frequently do not occur as expected or assumed.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]



AUASB Agenda Paper

Title:	Responding to Questions at an Annual General Meeting in relation to the Sustainability Report	Date:	25 February 2026
Office of the AUASB:	Marina Michaelides	Agenda Item:	8.0

Objective of Agenda Item

1. This Agenda Item seeks the Board member input on a proposed FAQ on questions of the auditor of a sustainability report of a listed company at an Annual General Meeting (AGM).

Question for AUASB members

No.	Question for AUASB members
1	Do AUASB members have any feedback on: (a) the proposed FAQ, including example questions that may be asked of auditors (see Agenda Paper 8.1); and (b) the proposed due process (see paragraphs 8 and 9 below)?

Background

2. GS 010 Responding to Questions at an Annual General Meeting (GS 010) provides guidance to auditors of the financial reports of listed companies on responding to questions at AGMs.
3. Since GS 010 was last revised in September 2021, s250PA(1) and s250T(1)(a) of Act have been updated to allow members of a listed public company to ask the auditor questions relevant to:
 - (a) The conduct of the audit/review of the sustainability report;
 - (b) The preparation and content of the auditor's report; and
 - (c) The policies adopted by the company in the preparing the sustainability report; and
 - (d) The independence of the auditor in relation to the conduct of the audit/review.
4. AUASB Sustainability Assurance FAQ 1 includes the following:

No.	Area	Considerations with <u>one auditor (firm/audit company/individual auditor) and one lead auditor</u> for the sustainability and financial reports	Considerations with <u>one auditor (firm/audit company) and separate lead auditors</u> for the sustainability and financial reports	Considerations with <u>separate auditors (firms/audit companies/individual auditors)</u> for the sustainability and financial reports
15	Questions at an AGM	The Act requires the auditor to answer written questions submitted before the AGM by members of listed companies on the content of the annual financial report or sustainability report. The lead auditor is responsible for answering questions for the auditor .	The Act requires the auditor to answer written questions submitted before the AGM by members of listed companies on the content of the annual financial report or sustainability report. Good practice may be for both lead auditors to answer questions.	The Act requires 'the auditor' to answer written questions submitted before the AGM by members of listed companies on the content of the annual financial report or sustainability report. Good practice may be for both lead auditors to be present to answer questions for both auditors . There may be challenges where a single question is relevant to the audit of both the financial report and sustainability report.

Options and recommendations

5. Options include:
 - (a) Revise GS 010 to cover the sustainability report;
 - (b) Issue a separate new guidance statement;
 - (c) Issue a short FAQ and cross reference it in the 'Notes' column against GS 010 on the AUASB website;
 - (d) As in (c) but issue as an education page rather than an FAQ because the matter does not concern complex matters or questions being raised by practitioners; or
 - (e) Do nothing at this time pending feedback on common questions at the first 2026 AGMs.
6. The Office of the AUASB recommends not updating GS 010 at this time and issuing an FAQ (Option (c) in paragraph 5 above) as:
 - (a) This is a quick and efficient way to communicate the changes in legislation that affect the auditors' responsibilities;
 - (b) GS 010 is specific to financial report audits. While the concepts in GS 010 may also apply for sustainability report audits/reviews, GS 010 would require a significant rewrite, resources and due process which would take significant time; and
 - (c) This option allows us to be informed by one or two AGM seasons on the types of questions auditors are commonly receiving before considering any update of GS 010; and
 - (d) Because the proposal includes example questions of auditors, it is not purely factual and so does not strictly meet the criteria for an education page.
7. See draft FAQ in agenda paper 8.1.
8. It is also recommended that the due process for education pages (i.e. send to Board members for comment at least two business days before release) rather than the due process for FAQs be applied because the proposed FAQ does not deal with complex matters and is largely factual in nature. The normal due process for draft FAQs is as follows (see agenda paper 2.1 for the 11 August 2025 AUASB meeting):
 - (a) Draft FAQs are sent to Board members for any comments two business days before they are sent out for soft consultation;
 - (b) Unless there is significant feedback from Board members that requires discussion in a Board meeting, the FAQs are then sent out for soft consultation; and
 - (c) Where guidance is needed by the market and there is mixed or significant feedback on specific draft FAQs, that feedback will be highlighted to the Board. It may be necessary and appropriate to discuss specific draft FAQs at a Board meeting having regard to feedback received from stakeholders.
9. However, given that the proposed FAQ involves Corporations Act matters, ASIC will be consulted on the draft FAQ. Board members will be informed of any significant feedback or changes to the draft FAQ.

Materials presented

Agenda paper	Description
8.1	Draft FAQ – Is the auditor of a sustainability report required to answer questions at an AGM?

DRAFT AUASB FAQ

Is the auditor of a sustainability report required to answer questions at an AGM?

The *Corporations Act 2001* requires the auditor or their representative, to attend the Annual General Meeting (AGM) of a listed company. Members may submit written questions for the auditor before the AGM or raise questions at the AGM on (s250PA(1) and s250T(1)(a)):

- The conduct of the audit/review of the sustainability report;
- The preparation and content of the auditor's report;
- The policies adopted by the company in preparing the sustainability report
- The independence of the auditor in relation to the conduct of the audit/review.

These are similar to the requirements that apply to auditors of financial reports. Hence, AUASB Guidance Statement [GS 010 Responding to Questions at an Annual General Meeting](#) (GS 010) for auditors of financial reports may provide relevant guidance. In particular, paragraphs 48 to 50 of GS 010 may be relevant in Year 1 where not all information in the sustainability report is required to be subject to assurance.

The auditor may receive questions at the AGM such as:

- How did the auditor ensure appropriate competency of the engagement team?
- Did the auditor use their own internal or external expert?
- What procedures were performed over forward-looking information or Scope 3 emissions (after Year 1 or if subject to voluntary assurance)?

See also line 15 in the table in FAQ 1 above.



AUASB Agenda Paper

Title: Narrow Scope Amendments Relating to Use of Experts

Date: 25 Feb 2026

Office of AUASB: See Wen Ewe

Agenda Item: 9.0

Objective of Agenda Item

1. The objective of this Agenda Item is to seek AUASB's approval to issue:
 - (a) ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* and the related Explanatory Statement; and
 - (b) Conforming Amendments to Other AUASB Standards due to Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project.

Questions for AUASB members

No.	Questions
1	Subject to any editorials that may be identified from final quality review, do AUASB members approve the following documents for issue: <ol style="list-style-type: none">(a) Draft ASA 2026-1 (Agenda Paper 9.1);(b) Explanatory Statement to ASA 2026-1 (Agenda Paper 9.1.1); and(c) Conforming Amendments to Other AUASB Standards (Agenda Paper 9.2)?
2	Do AUASB members agree that the ASA 2026-1 should not be re-exposed in Australia?
3	Do AUASB members have any comments on the draft ASA 2026-1 Basis for Conclusions (Agenda Paper 9.3)?

Background and Previous Discussions on Topic

2. The IAASB issued *Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project* on 5 January 2026. These narrow scope amendments aim to maintain the interoperability of the IAASB standards with the new provisions in the IESBA Code¹ related to using the work of an external expert. There is now a requirement to consider ethical requirements surrounding using the work of an expert with application material linking to the APESB Code provisions; and a specific prohibition on using the work of an auditor's expert when the auditor concludes that the auditor's expert does not have the necessary competence or capability, or that the threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level.
3. Previous discussion on this topic can be found in [Agenda Item 8 of the 9 July 2025 meeting pack](#).

Matters for AUASB Consideration

4. Four AUASB Standards are impacted by these amendments, with ASA 620 being the only legislative instrument out of the four standards. The proposed amendments to ASA 620 have been drafted in the format of an amending standard, ASA 2026-1 (see Agenda Paper 9.1). Amendments to the non-legislation standards ASRE 2400², ASAE 3000³ and ASRS 4400⁴ are presented in a table format in Agenda Paper 9.2.
5. In accordance with the *AUASB Policy and Process for International Conformance and Harmonisation of Standards*, international standards should only be modified if there are compelling reasons to do so. The Compelling Reason Test for modification of an international standard is triggered when the

¹ See *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code).

² See ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*.

³ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

⁴ See ASRS 4400 *Agreed-Upon Procedures Engagements*.

international standard does not reflect, or is not consistent with, Australian legal and regulatory arrangements, or principles and practices that are considered appropriate in maintaining or improving audit or assurance quality in Australia. Compelling reasons are further guided by the AUASB's policy of harmonisation with the standards of the New Zealand Auditing and Assurance Standards Board (NZAuASB). Any such changes must not result in a requirement that is lesser than or in conflict with the requirements of the equivalent international standard. Any addition or modification from the international standard will be clearly marked as an Australian paragraph ("Aus" prefix). However, minor wording and spelling changes (as opposed to significant terminology changes) need not be reflected in the Australian standard as a modification to the international standard where the intent remains unchanged.

6. As these amendments are narrow scope in nature, the Office of the AUASB have not identified any compelling reasons to modify them. It is recommended that they are adopted to Australian equivalent standards without modification.
7. The proposed amendments apply for financial reporting periods commencing on or after 15 December 2026, consistent with the IAASB's operative date.
8. In accordance with the AUASB's *[Due Process Framework for Developing, Issuing, and Maintaining AUASB Pronouncements and Other Publications](#)*, a Basis for Conclusions (see Agenda Paper 9.3) has been prepared detailing how decisions were reached on ASA 2026-1 and Conforming Amendments to Other AUASB Standards. While the Due Process Framework does not require the AUASB to approve the Basis for Conclusions, AUASB member feedback is welcomed.
9. The *[AUASB Due Process Framework](#)* contains criteria for re-exposure of standards. The criteria and how they apply for ASA 2026-1 and Conforming Amendments to Other AUASB Standards are summarised in the table below.

Paragraph reference	Criterion	Comments	Supports re-exposure?
72(a), 73	The nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed. See also paragraph 73 below.	<p>In relation to these criteria:</p> <ul style="list-style-type: none"> The objectives of the project as outlined in paragraph 3 of the Basis for Conclusions (see Agenda Paper 9.3) have not changed. The changes proposed to requirements and recommended practices since the IAASB ED are not so significant as to cause a major change in practice. See paragraph 7 of Agenda Item 2.3 of 10 September 2025 meeting board pack regarding the changes. 	No
73	<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>	<ul style="list-style-type: none"> The key elements of the ED have been retained. Respondents to the May 2025 AUASB Consultation Paper <i>IAASB's Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project</i> overall supported the IAASB's proposals to be adopted in Australia. 	No

Paragraph reference	Criterion	Comments	Supports re-exposure?
	<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>	<ul style="list-style-type: none"> All of the areas of change proposed by the IAASB were public at the time of the AUASB Consultation Paper. 	
72(b)	The nature and extent of new substantive issues not considered during the initial consultation;	See above.	No
72(c)	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).	None.	No
72(e)	<p>The nature and extent of input from stakeholders and whether:</p> <p>i. further consultation with those stakeholders is required; or</p> <p>ii. additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard</p>	None.	No
72(d)	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	Not applicable.	No

Paragraph reference	Criterion	Comments	Supports re-exposure?
	implementation guidance material or staff FAQs would address concerns.		

10. Having regard to the above, it is recommended that ASA 2026-1 and Conforming Amendments to Other AUASB Standards are not re-exposed in Australia.
11. The Office of Impact Analysis has advised that an Impact Analysis is not required for ASA 2026-1 and Conforming Amendments to Other AUASB Standards.

Collaboration with NZAuASB

12. The New Zealand equivalent amending standard will be presented at the February 2026 meeting for approval.

Next steps

13. Subject to the AUASB's approval of ASA 2026-1, the Office of the AUASB will perform a final quality review of the documents for editorials and lodge ASA 2026-1 with the Federal Register of Legislation. The compilation work for ASA 2026-1 will be performed together with compilation work for consequential amendments relating to ASA 570⁵, ASA 240⁶ and PIE Track 2⁷ due to the same operative date.

Materials presented

Agenda paper	Description
9.1	Draft ASA 2026-1 <i>Amendments to AUASB Standards</i>
9.1.1	Draft ASA 2026-1 Explanatory Statement
9.2	Draft Conforming Amendments to Other AUASB Standards
9.3	Draft Basis for Conclusions

⁵ See ASA 570 *Going Concern*.

⁶ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

⁷ Narrow scope amendments made by the IAASB to the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code.

ASA 2026-1
(February 2026)

ASA 2026-1
***Amendments to ASA 620 Using the Work of
an Auditor's Expert***

Issued by the Auditing and Assurance Standards Board

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Standard

This Standard is available on the Auditing and Assurance Standards Board (AUASB) website:
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PREFACE

Reasons for Issuing ASA 2026-1

The AUASB issues ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB was established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Standard makes minor amendments to the requirements, application and other explanatory material and appendices of ASA 620 *Using the Work of an Auditor's Expert* (Issued 27 October 2009 and amended to 5 November 2021).

The amendments arise from changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* on the use of external experts.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board makes this Standard ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated:

D Niven
Chair - AUASB

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Conformity with International Standards on Auditing

This Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing issued by the International Auditing and Assurance Standards Board.

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ASA 2026-1

Amendments to ASA 620 Using the Work of an Auditor's Expert

Application

1. This Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Standard is operative for financial reporting periods commencing on or after 15 December 2026.

Introduction

Scope of this Standard

4. This Standard make narrow scope amendments to ASA 620 as a result of changes made by the APESB to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* on the use of external experts.

Objective

5. The objective of this Standard is to make amendments to ASA 620 *Using the Work of an Auditor's Expert* (Issued 27 October 2009 and amended to 5 November 2021).

Definition

6. For the purposes of this Standard, the meanings of terms are set out in each AUASB Standard. This Standard does not introduce new definitions.

Amendments to AUASB Standards

7. Where relevant, this Standard uses underlining, striking out and other typographical material to identify the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.
8. Where this amending standard inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated.

Amendments to ASA 620

9. Existing paragraph 6(a) is amended to read as follows:

Auditor's expert means an individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor to assist the auditor in obtaining sufficient appropriate audit evidence. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert. (Ref: Para. A1-A3, A11-A13).

10. Existing paragraph 8 is amended to read as follows:

The nature, timing and extent of the auditor's procedures with respect to the requirements in paragraphs 9-13 of this Auditing Standard will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)

- (a) ...
- (d) The auditor's knowledge of and experience with previous work performed by that expert; ~~and~~
- (e) Whether that expert is subject to the auditor's firm's system of quality management; and (Ref: Para. A11-A13)
- (f) Whether relevant ethical requirements include provisions related to using the work of an expert. (Ref: Para A14)

11. The following paragraph 10 is inserted following existing paragraph 9 of this Auditing Standard:

If, based on the evaluation in accordance with paragraph 9, the auditor concludes that the auditor's expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the auditor shall not use the work of that expert. (Ref: Para. A23–A24)

12. The following paragraph A14 and its heading are inserted following existing paragraph A13 of this Auditing Standard:

Relevant Ethical Requirements (Ref: Para 8(f))

Relevant ethical requirements may include provisions that address an auditor's ethical responsibilities related to using the work of an expert in the performance of an audit of a financial report. For example, the APESB Code includes provisions related to a professional accountant's use of the work of an external expert.¹⁶

13. The following paragraph A18 is inserted following existing paragraph A16 of this Auditing Standard:

Relevant ethical requirements related to using the work of an auditor's expert may include provisions addressing the fulfillment of the auditor's ethical responsibilities related to evaluating whether an auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes.¹⁷

14. Existing paragraph A20 is relocated following existing paragraph A18 and amended to read as follows:

When evaluating the objectivity of an auditor's external expert, it may be relevant to:

- (a) Enquire of the entity about any known interests or relationships that the entity has with the auditor's external expert that may affect that expert's objectivity.
- (b) Discuss with that expert any applicable safeguards, ~~including any professional requirements that apply to that expert~~; and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that may be relevant to discuss with the auditor's expert include:

¹⁶ See Section 390 of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

¹⁷ See, for example, paragraphs R390.6–R390.21 of the Code related to using the work of an external expert.

- Financial interests.
- Business and personal relationships.
- Provision of other services by the expert, including by the organisation in the case of an external expert that is an organisation.

In some cases, it may also be appropriate for the auditor to obtain a written representation from the auditor's external expert about any interests or relationships with the entity of which that expert is aware. Relevant ethical requirements may also require the auditor to obtain information, in writing, from the auditor's external expert regarding interests, relationships or circumstances that may create a threat to that expert's objectivity.¹⁸

15. The following paragraph A23 and its heading are inserted following existing paragraph A19 of this Auditing Standard:

Prohibition on Using the Work of an Auditor's Expert (Ref: Para. 10)

Using the work of an auditor's expert that does not have the necessary competence, capabilities, or objectivity for the auditor's purposes would affect the auditor's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.

16. The following paragraph A24 is inserted following the new paragraph A23:

Relevant ethical requirements may also prohibit the auditor from using the work of an auditor's expert if the auditor is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the auditor's purposes.¹⁹

17. Existing paragraph A24 is amended to read as follows:

The matters noted in paragraph 8 may affect the level of detail and formality of the agreement between the auditor and the auditor's expert, including whether it is appropriate that the agreement be in writing. For example, the following factors may suggest the need for a more detailed agreement than would otherwise be the case, or for the agreement to be set out in writing:

- ...
- Multi-jurisdictional legal or regulatory requirements apply.
- Relevant ethical requirements require the provision of information in writing from an auditor's expert.²⁰
- ...

18. Existing Appendix 1 is amended to read as follows:

Considerations for Agreement between the Auditor and an Auditor's External Expert

...

Communications and Reporting

¹⁸ See, for example, paragraphs R390.5 and R390.12–R390.17 of the Code.

¹⁹ See, for example, paragraph R390.21 of the Code related to using the work of an external expert.

²⁰ See, for example, paragraphs R390.5 and R390.12–R390.17 of the Code related to using the work of an external expert.

- ...
- If required by the provisions of relevant ethical requirements, the auditor's external expert's agreement to provide requested information in writing for purposes of assisting the auditor's evaluation of that expert's objectivity, and a commitment to communicate any changes to the information provided as set out in the relevant ethical requirements.²³
- The auditor's external expert's responsibility to communicate circumstances that may create threats to that expert's objectivity, including any changes in those circumstances, and any relevant safeguards actions that may eliminate such threats, or safeguards that may reduce such those threats to an acceptable level.
- ...

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²³ See, for example, paragraphs R390.5 and R390.12–17 of the Code.

Commencement of the legislative instrument

For legal purposes, each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
The whole of this instrument	14 December 2026.	14 December 2026.

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

Draft

ASA 2026-1
(February 2026)

Explanatory Statement

ASA 2026-1 Amendments to ASA 620 Using the Work of an Auditor's Expert

Issued by the Auditing and Assurance Standards Board

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Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Reasons for Issuing Auditing Standard ASA 2026-1

The AUASB issues ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB was established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Standard makes minor amendments to the requirements, application and other explanatory material and appendices of ASA 620 *Using the Work of an Auditor's Expert* (Issued 27 October 2009 and amended to 5 November 2021). These minor amendments are consistent with amendments made by the International Auditing and Assurance Standards Board (IAASB) to the equivalent International Standards on Auditing.

The amendments arise from changes made by the Accounting Professional & Ethical Standards Board Limited (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* on the use of external experts. Those changes are consistent with changes made by the International Ethical Standards Board for Accountants to the equivalent international code.

Operative Date

ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* is operative for financial reporting periods commencing on or after 15 December 2026.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing of the International Auditing and Assurance Standards Board as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing ASA 2026-1. An AUASB Consultation Paper wrap-around the IAASB's *Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project* was issued on 26 May 2025 with a 42-day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 2026-1 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to this standard.

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunset provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the International Auditing and Assurance Standards Board. The AUASB's Standards are exempt from sunset because a more stringent review process than sunset applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international Standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunset regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: **Auditing Standard ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The AUASB was established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Main Features

This Standard makes minor amendments to the requirements, application and other explanatory material and appendices of ASA 620 *Using the Work of an Auditor's Expert* (Issued 27 October 2009 and amended to 5 November 2021).

The amendments arise from changes made by the APESB to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* on the use of external experts.

Human Rights Implications

AUASB Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

Conforming Amendments to non-legislative AUASB Standards due to Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project

Amendments to non-legislative AUASB standards do not require an amending standard. The standards are revised and replaced.

Where this document inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated. Where this document inserts, deletes or amends a heading or a sub-heading, as a result of that insertion, deletion or amendment, the heading or sub-heading on the Table of Contents are updated.

AUASB Standard	Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
ASRE 2400 <i>Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity</i>	Para 55	<p>In performing the review, it may be necessary for the practitioner to use work performed by other practitioners, or the work of an individual or organization possessing expertise in a field other than accounting or assurance. If the practitioner uses work performed by another practitioner or an expert in the course of performing the review In these circumstances, the practitioner shall:</p> <p>(a) With respect to the work of an expert, evaluate whether the expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. If the practitioner concludes that the expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the practitioner shall not use the work of that expert. (Ref: Para. A97A-A97D)</p> <p>(b) If using the work of another practitioner or an expert, take appropriate steps to be satisfied that the work performed is adequate for the practitioner's purposes. (Ref: Para. A78)</p>	<p>In performing the review, it may be necessary for the assurance practitioner to use work performed by other assurance practitioners, or the work of an individual or organisation possessing expertise in a field other than accounting or assurance. If the assurance practitioner uses work performed by another assurance practitioner or an expert in the course of performing the review In these circumstances, the assurance practitioner shall:</p> <p>(a) With respect to the work of an expert, evaluate whether the expert has the necessary competence, capabilities and objectivity for the assurance practitioner's purposes. If the assurance practitioner concludes that the expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the assurance practitioner shall not use the work of that expert. (Ref: Para. A98-A101)</p> <p>(b) If using the work of another assurance practitioner or an expert, take appropriate steps to be satisfied that the work performed is adequate for the assurance practitioner's purposes. (Ref: Para. A80)</p>
ASRE 2400 <i>Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity</i>	Para A100-A103 inserted	<p><u>Using work performed by a practitioner's expert (Ref: Para. 55)</u></p> <p><u>A97A. The practitioner may use work performed by a practitioner's expert in the course of the review engagement. A practitioner's expert may be an external expert engaged by the practitioner (who is not part of engagement team), or an internal expert (who is part of the engagement team). The competence, capabilities and</u></p>	<p><u>Using work performed by an assurance practitioner's expert (Ref: Para. 55)</u></p> <p><u>A100. The assurance practitioner may use work performed by an assurance practitioner's expert in the course of the review engagement. An assurance practitioner's expert may be an external expert engaged by the assurance practitioner (who is not part of engagement team), or an internal expert (who is part of the engagement team). The</u></p>

AUASB Standard	Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
		<p><u>objectivity of a practitioner's expert are factors that significantly affect whether the work of the practitioner's expert will be adequate for the practitioner's purposes.</u></p> <p><u>A97B.Relevant ethical requirements may include provisions addressing the fulfillment of the practitioner's ethical responsibilities related to evaluating whether a practitioner's expert has the necessary competence, capabilities and objectivity for the practitioner's purposes. For example, the IESBA Code includes provisions related to a professional accountant's use of the work of an external expert.⁸</u></p> <p><u>Prohibition on using the work of a practitioner's expert (Ref: Para. 55(a))</u></p> <p><u>A97C.Using the work of a practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the practitioner's purposes would affect the practitioner's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.</u></p> <p><u>A97D.Relevant ethical requirements may also prohibit the practitioner from using the work of a practitioner's expert if the practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the practitioner's purposes.⁹</u></p> <p>⁸ IESBA Code, paragraphs R390.6–R390.21</p> <p>⁹ See, for example, paragraph R390.21 of the IESBA Code related to using the work of an external expert.</p>	<p><u>competence, capabilities and objectivity of an assurance practitioner's expert are factors that significantly affect whether the work of the assurance practitioner's expert will be adequate for the assurance practitioner's purposes.</u></p> <p><u>A101. Relevant ethical requirements may include provisions addressing the fulfillment of the assurance practitioner's ethical responsibilities related to evaluating whether an assurance practitioner's expert has the necessary competence, capabilities and objectivity for the assurance practitioner's purposes. For example, the APESB Code includes provisions related to a professional accountant's use of the work of an external expert.²¹</u></p> <p><u>Prohibition on using the work of an assurance practitioner's expert (Ref: Para. 55(a))</u></p> <p><u>A102. Using the work of an assurance practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the assurance practitioner's purposes would affect the assurance practitioner's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.</u></p> <p><u>A103. Relevant ethical requirements may also prohibit the assurance practitioner from using the work of an assurance practitioner's expert if the assurance practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the assurance practitioner's purposes.²²</u></p> <p>²¹ See APESB Code, paragraphs R390.6–R390.21.</p> <p>²² See, for example, paragraph R390.21 of the APESB Code related to using the work of an external expert.</p>
ASAE 3000 <i>Assurance Engagements</i>	Para 12(s)	Practitioner's expert—An individual or organization possessing expertise in a field other than assurance, whose work	[Deleted by the AUASB. Refer Aus 12.2.] Assurance practitioner's expert—An individual or organisation possessing

AUASB Standard	Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
<i>Other than Audits or Reviews of Historical Financial Information</i>		in that field is used by the practitioner to assist the practitioner in obtaining sufficient appropriate evidence. A practitioner's expert may be either a practitioner's internal expert (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm), or a practitioner's external expert. (Ref: Para. A124–A125)	expertise in a field other than assurance, whose work in that field is used by the assurance practitioner to assist the assurance practitioner in obtaining sufficient appropriate evidence. An assurance practitioner's expert may be either an assurance practitioner's internal expert (who is a partner or staff, including temporary staff, of the assurance practitioner's firm or a network firm), or an assurance practitioner's external expert. (Ref: Para. A124–A125)
	Para 53 inserted	<u>If, based on the evaluation in accordance with paragraph 52(a), the practitioner concludes that the practitioner's expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the practitioner shall not use the work of that expert.</u> (Ref: Para. A128A–A128B)	<u>If, based on the evaluation in accordance with paragraph 52(a), the assurance practitioner concludes that the assurance practitioner's expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the assurance practitioner shall not use the work of that expert.</u> (Ref: Para. A128A–A128B)
	Para A121	<p>The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of a practitioner's expert when some of the assurance work is performed by one or more practitioner's expert (see paragraph A70):</p> <ul style="list-style-type: none"> (a) The significance of that expert's work in the context of the engagement (see also paragraphs A122–A123); (b) The nature of the matter to which that expert's work relates; (c) The risks of material misstatement in the matter to which that expert's work relates; (d) The practitioner's knowledge of and experience with previous work performed by that expert; and (e) Whether that expert is subject to the practitioner's firm's quality management policies or procedures (see also paragraphs A124–A125); and (f) <u>Whether relevant ethical requirements include provisions that address a practitioner's ethical responsibilities related to using the work of an expert in the performance of an assurance</u> 	<p>The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of an assurance practitioner's expert when some of the assurance work is performed by one or more assurance practitioner's expert (see paragraph A70):</p> <ul style="list-style-type: none"> (a) The significance of that expert's work in the context of the engagement (see also paragraphs A122–A123); (b) The nature of the matter to which that expert's work relates; (c) The risks of material misstatement in the matter to which that expert's work relates; (d) The assurance practitioner's knowledge of and experience with previous work performed by that expert; and (e) Whether that expert is subject to the assurance practitioner's firm's quality management policies or procedures (see also paragraphs A124–A125); and (f) <u>Whether relevant ethical requirements include provisions that address an assurance practitioner's ethical responsibilities related to using the work of an expert in the performance of an assurance engagement. For example, the</u>

AUASB Standard	Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
		<p><u>engagement. For example, the IESBA Code includes provisions related to a professional accountant's use of the work of an external expert.</u>¹⁰</p> <p>¹⁰ See Section 390 of the IESBA Code.</p>	<p><u>APESB Code includes provisions related to a professional accountant's use of the work of an external expert.</u>¹⁴</p> <p>¹⁴ See Section 390 of the APESB Code.</p>
	Para A128 (relocated from existing para A129)	<p>When evaluating the objectivity of a practitioner's external expert, it may be relevant to:</p> <ul style="list-style-type: none"> • Inquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the practitioner's external expert that may affect that expert's objectivity. • Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the practitioner's expert include: <ul style="list-style-type: none"> ○ Financial interests; ○ Business and personal relationships; ○ Provision of other services by the expert, including by the organization in the case of an external expert that is an organization. <p>In some cases, it may also be appropriate for the practitioner to obtain a written representation from the practitioner's external expert about any interests or relationships with the appropriate party(ies) of which that expert is aware. <u>Relevant ethical requirements may also require the practitioner to obtain information, in writing, from the practitioner's external expert regarding interests, relationships or circumstances that may create a threat to that expert's objectivity.</u>¹¹</p> <p>¹¹ See, for example, paragraphs R390.5 and R390.12–R390.17 of the IESBA Code.</p>	<p>When evaluating the objectivity of an assurance practitioner's external expert, it may be relevant to:</p> <ul style="list-style-type: none"> • Enquire of the appropriate party(ies) about any known interests or relationships that the appropriate party(ies) has with the assurance practitioner's external expert that may affect that expert's objectivity. • Discuss with that expert any applicable safeguards, including any professional requirements that apply to that expert, and evaluate whether the safeguards are adequate to reduce threats to an acceptable level. Interests and relationships that it may be relevant to discuss with the assurance practitioner's expert include: <ul style="list-style-type: none"> ○ Financial interests. ○ Business and personal relationships. ○ Provision of other services by the expert, including by the organisation in the case of an external expert that is an organisation. <p>In some cases, it may also be appropriate for the assurance practitioner to obtain a written representation from the assurance practitioner's external expert about any interests or relationships with the appropriate party(ies) of which that expert is aware. <u>Relevant ethical requirements may also require the assurance practitioner to obtain information, in writing, from the assurance practitioner's external expert regarding interests, relationships or circumstances that may create a threat to that expert's objectivity.</u>¹⁵</p> <p>¹⁵ See, for example, paragraphs R390.5 and R390.12–R390.17 of the APESB Code.</p>

AUASB Standard	Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	Para A129-A130 inserted	<p><u>Prohibition on Using the Work of a Practitioner's Expert (Ref: Para. 52A)</u></p> <p><u>A128A. Using the work of a practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the practitioner's purposes would affect the practitioner's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.</u></p> <p><u>A128B. Relevant ethical requirements also may prohibit the practitioner from using the work of a practitioner's expert if the practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the practitioner's purposes.</u>¹²</p> <p>¹² See, for example, paragraph R390.21 of the IESBA Code related to using the work of an external expert.</p>	<p><u>Prohibition on Using the Work of an Assurance Practitioner's Expert (Ref: Para. 53)</u></p> <p><u>A129. Using the work of an assurance practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the assurance practitioner's purposes would affect the assurance practitioner's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.</u></p> <p><u>A130. Relevant ethical requirements also may prohibit the assurance practitioner from using the work of an assurance practitioner's expert if the assurance practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the assurance practitioner's purposes.</u>¹⁶</p> <p>¹⁶ See, for example, paragraph R390.21 of the APESB Code related to using the work of an external expert.</p>
ASRS 4400 <i>Agreed-Upon Procedures Engagements</i>	Para 13(i)	Practitioner's expert – An individual or organization possessing expertise in a field other than assurance and related services, whose work in that field is used to assist the practitioner in fulfilling the practitioner's responsibilities for the agreed-upon procedures engagement. A practitioner's expert may be either a practitioner's internal expert (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external expert. (Ref: Para. A47)	Practitioner's expert – An individual or organisation possessing expertise in a field other than assurance and related services, whose work in that field is used to assist the practitioner in fulfilling the practitioner's responsibilities for the agreed-upon procedures engagement. A practitioner's expert may be either a practitioner's internal expert (who is a partner or staff, including temporary staff, of the practitioner's firm or a network firm) or a practitioner's external expert. (Ref: Para. A47)
	Para 30 inserted	<u>If, based on the evaluation in accordance with paragraph 29(a), the practitioner concludes that the practitioner's expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the practitioner shall not use the work of that expert. (Ref: Para. A50A–A50B)</u>	<u>If, based on the evaluation in accordance with paragraph 29(a), the practitioner concludes that the practitioner's expert does not have the necessary competence or capabilities, or that threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level, the practitioner shall not use the work of that expert. (Ref: Para. A51–A52)</u>

AUASB Standard	Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	Para A51-A52 inserted	<p><i>Prohibition on Using the Work of a Practitioner's Expert</i> (Ref: Para. 29A)</p> <p><u>A50A. Using the work of a practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the practitioner's purposes would affect the practitioner's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.</u></p> <p><u>A50B. Relevant ethical requirements may also prohibit the practitioner from using the work of a practitioner's expert if the practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the practitioner's purposes.</u>¹³</p> <p>¹³ See, for example, paragraph R390.21 of the IESBA Code related to using the work of an external expert.</p>	<p><i>Prohibition on Using the Work of a Practitioner's Expert</i> (Ref: Para. 30)</p> <p><u>A51. Using the work of a practitioner's expert that does not have the necessary competence, capabilities, or objectivity for the practitioner's purposes would affect the practitioner's fulfillment of fundamental ethical principles such as integrity, objectivity, and professional competence and due care.</u></p> <p><u>A52. Relevant ethical requirements may also prohibit the practitioner from using the work of a practitioner's expert if the practitioner is unable to determine whether the expert has, or determines that the expert does not have, the necessary competence, capabilities, or objectivity for the practitioner's purposes.</u>¹⁵</p> <p>¹⁵ See, for example, paragraph R390.21 of the APESB Code related to using the work of an external expert.</p>

February 2026

Basis for Conclusions

ASA 2026-1 Amendments to ASA 620 Using the Work of an Auditor's Expert and Conforming Amendments to Other AUASB Standards

Prepared by the Auditing and Assurance Standards Board

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

This Basis for Conclusions is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Basis for Conclusions ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* and Conforming Amendments to Other AUASB Standards has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the standards by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASA 2026-1 and Conforming Amendments to Other AUASB Standards.

No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

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BASIS FOR CONCLUSIONS

ASA 2026-1 *Amendments to ASA 620 Using the Work of an Auditor's Expert* and Conforming Amendments to Other AUASB Standards

Background

1. In accordance with its mandate under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), unless there is a compelling reason not to do so. In addition, the AUASB is required to make such amendments to the ISAs to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Further amendments are made where there are compelling reasons to do so and are made with a public interest focus.
2. The AUASB issued ASA 2026-1 to make narrow scope amendments to ASA 620 *Using the Work of an Auditor's Expert* and conforming amendments to other AUASB standards as a result of changes made by the Accounting Professional & Ethical Standards Board Limited (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) on the use of external experts. The Code is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code).
3. In April 2025, the IAASB issued an exposure draft proposing to make narrow scope amendments to IAASB standards arising from the IESBA's using the work of an external expert project. The purpose of these amendments is to maintain the interoperability of the IAASB standards with the new provisions in the IESBA Code related to using the work of an external expert.
4. The AUASB issued a 'wrap-around' [Consultation Paper](#) on the IAASB's then proposed narrow scope amendments to the IAASB standards on 26 May 2025.
5. The comment period closed on 7 July 2025. The AUASB received written comment letters from:
 - [Institute of Public Accountants](#)
 - [Australasian Council of Auditors-General](#)
 - [CPA Australia](#)
6. The AUASB considered all submissions received and provided a [written submission to the IAASB](#) in July 2025.
7. Further details regarding the development of proposed narrow scope amendments to IAASB standards arising from the IESBA's using the work of an external expert project and how the IAASB addressed feedback on their exposure draft can be found in the [Basis for Conclusions](#) on the IAASB's website.

Substantive Comments raised by Australian Respondents on Exposure

8. Having regard to feedback received, the AUASB's [written submission](#) to the IAASB supported the proposed narrow scope amendments to the IAASB standards.

Conclusion

9. The AUASB voted to approve and issue ASA 2026-1 and Conforming Amendments to Other AUASB Standards on 25 February 2026 and it is operative for financial reporting periods commencing on or after 15 December 2026.

10. In reaching its conclusions the AUASB considered:
- (a) all stakeholder feedback;
 - (b) the IAASB's due process and consideration as to whether the proposed narrow scope amendments to IAASB standards should be re-exposed; and
 - (c) whether the amendments made by the IAASB since exposure:
 - (i) were in response to submissions from stakeholders on the exposure draft,
 - (ii) have not changed the fundamental approach and principles on which the standard is based, and
 - (iii) did not require the re-exposure of the standard.

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AUASB WORK PLAN OVERVIEW (18 February 2026)

AREA		DETAILS	DOMESTIC/ INTERNATIONAL	STANDARDS/ GUIDANCE/ SUPPORT	PRIORITY	RESOURCES	TIMING
SUSTAINABILITY ASSURANCE	1. Amend ASSA 5010 re directors’ declaration	ED 02/25. To be considered further at 25/2 Board meeting.	Domestic	Standards	High	High	Q2 2026
	2. Guidance & monitoring	FAQs to address identified areas Financed & insured emissions using data providers Illustrative audit reports – legal advice, ethics paragraph, modifications, etc Illustrative engagement letters & management representation letters Education	Domestic	Guidance	High High Low High Medium	High High High High Medium	See next page
	3. Second FAQ on questions at AGMs	For approval at 25/2/26 AUASB meeting (Agenda Item 8)	Domestic	Guidance	Low	Low	Q1 2026
FINANCIAL REPORT AND OTHER ASSURANCE	4. Experts narrow scope amendments	For approval at 25/2/26 AUASB meeting (Agenda Item 9)	International	Standards	Low	Low	Q1 2026
	5. IAASB/IESBA Workplan 2026-2030	IAASB/IESBA environmental survey comments due 1/5/26 Work plan itself	International International	Standards Standards	Low High	Low Medium	Q2 2026 2026-7
	6. PIE Track 2 Pt 2	Possibly expand standards re QM and KAMs to PIEs	International	Standards	Medium	Medium	2026-7
	7. Going Concern & Fraud	Implementation support for new standards	International	Support	Medium	Low	Q1 2026
	8. Audit Evidence, Risk Response, SAPs	IAASB project at early stage	International	Standards	High	Medium	2026-7
	9. Inventories, Confirmations	IAASB project at early stage	International	Standards	High	Medium	2026-7
	10. Technology	IAASB project at early stage	International	Guidance	Medium	Medium	2026-7
	11. ISA 540 Estimates PIR	IAASB survey to be released soon	International	Standards	Low	Low	2026-7
	12. ISRE 2410 <i>Interim reviews</i>	IAASB project with NZAuASB (specific matters)	International	Standards	Medium	High	2026-7
	13. Support for other IAASB projects	To be determined	International	Standards	Medium	High	2027
	14. GS 002 <i>Registrable superannuation entities</i>	For approval at 15/4/26 AUASB meeting.	Domestic	Guidance	Medium	Medium	Q2 2026
	15. Investment/fund managers: • GS 007 <i>Investment service organisations</i> • RSE investments in unlisted MISs	Revision for practice matters. PAG meeting regularly. Participation in AAA-PPC RSE Taskforce meetings.	Domestic Domestic	Guidance Guidance	Medium High	High Medium	Q2 2026 Q2 2026
	16. GS 013 & GS 014 <i>Managed schemes</i>	Update, subject to current Treasury consultation	Domestic	Guidance	Low	Low	2026
	17. GS 015 <i>Associates</i>	Minor update for updated accounting standards	Domestic	Guidance	Low	Low	2026
	18. GS 018 <i>Franchisor solvency</i>	For approval at 25/2/26 AUASB meeting (Agenda Item 7)	Domestic	Guidance	Medium	Medium	2026
	19. GS 023 <i>Public sector</i>	Minor update for revised ASA 570	Domestic	Guidance	Low	Low	2026
	20. Cybersecurity	Simplified information sheet and revision of approach	Domestic	Guidance	Medium	Low	2026
	21. FRC Audit Review Working Group	Use of RCAs in State and other legislation	Domestic	Support	Low	Low	2025-6
BOTH	22. IAASB work plan and projects	Influence (e.g. through IAASB & IESBA Stakeholder Advisory Council)	International	-	Low	High	2026-7
	23. Website refresh	Accessing standards by reporting period, web design software, etc.	Domestic	-	Medium	Medium	2026
	24. Stakeholder engagement	Ongoing engagement	Domestic	-	High	High	Ongoing
	25. Legislation and reform	FRC/AASB/AUASB merger. Treasury consultation on ethics, consulting and audit. Enforceability of firm quality management and ethical standards.	Domestic	-	High	High	Mid 2026

SUSTAINABILITY ASSURANCE

AUASB IMPLEMENTATION SUPPORT, GUIDANCE AND EDUCATION OVERVIEW (18 February 2026)

