



Subject:	Agenda for the 160th meeting of the AUASB
Venue:	Virtual
Time:	Wednesday 14 May 2025, 09:00 am – 1:00 pm

Time	No.	Item	Responsibility
<i>PUBLIC SESSION</i> [<i>Open to Members of the Public for Virtual Attendance</i>]			
9:00 am	1	Welcome and Chair Update 1.1 Declaration of Interests	Doug Niven
9:10 am	2	NZAuASB Chair Update *	Marje Russ
9:20 am	3	Minor amendments to ASSA 5000 General Requirements for Sustainability Assurance 3.1 Analysis of submissions on ED 01/25 3.2 Proposed amending standard	Doug Niven
10.45 am Break			
10:50 am	3	Minor amendments to ASSA 5000 General Requirements for Sustainability Assurance (continued)	Doug Niven
11:50 pm	4	ASA 570 Going Concern 4.1 Draft standard 4.2 Explanatory statement 4.3 Basis for conclusions 4.4 Conforming and consequential amendments	Rene Herman / See Wen Ewe
12.20 pm	5	Project Plans 5.1 GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services 5.2 GS 011 Third Party Access to Audit Working Papers	Rajen Pillay / Klynton Hankin Jeff Muir
12:50 pm	6	Close *	Doug Niven

* *These items are verbal updates only and there are no associated board papers.*

The timing of Agenda items is subject to change on the day of the meeting.



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AUASB DECLARATION OF INTERESTS

As at 14 May 2025

AUASB Meeting 160
 Agenda Paper 1.1

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 Member, Australia’s Financial Reporting Council Member, New Zealand Auditing and Assurance Standards Board 	<ul style="list-style-type: none"> IAASB/IESBA Stakeholder Advisory Council
Ms Julie Crisp (Deputy Chair)	<ul style="list-style-type: none"> Registered Company Auditor Fellow, Chartered Accountants Australia and New Zealand Fellow, CPA Australia Fellow, Governance Institute of Australia Fellow, Institute of Public Administration Australia Graduate, Australian Institute of Company Directors Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal Auditors Member, Association of Certified Fraud Examiners 	<ul style="list-style-type: none"> Non-Executive Director – CPA Australia Member – Performance Statements Audit Expert Advisory Panel, Australian National Audit Office Former Northern Territory Auditor-General (concluded 12 September 2024) 	<ul style="list-style-type: none"> Director and Shareholder, Family Trust Company Director and Shareholder, Asterism Assurance and Advisory Pty Ltd
Ms Meryl 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 Committee Member of the Australian Public Policy Committee – Audit Quality working group Chair of the Australian Public Policy Committee – ESG working group Director and Shareholder, Family Trust Company(s) Trustee – personal family trusts



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
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 Auditing Deputy Editor, Accounting and Finance Co-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 Engineer Fellow and Engineering Executive of the Institute of Engineers, Australia 	<ul style="list-style-type: none"> APAC Leader and Partner, Climate Change and Sustainability Services, Ernst & Young in Melbourne Clean Energy Regulator Accredited Category 2 Auditor Associate Professor of Practice at Monash University's Department of Accounting, Faculty of Business and Economics 	<ul style="list-style-type: none"> Chair of the G100 Sustainability Working Group Board member, Australian Conservation Foundation Board member, Amnesty International Australia Chair, Global Citizen, Australia
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
Mr Andrew Porter	<ul style="list-style-type: none"> Fellow, Institute of Chartered Accountants in England and Wales Member, Australian Institute of Company Directors Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Chief Financial Officer, Australian Foundation Investment Company Limited 	<ul style="list-style-type: none"> CFO for Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited Director of Australian Investment Company Services Ltd. Director of a Family Trust Company Director of the Melbourne Anglican Foundation and trustee of related entities
Ms Marje Russ	<ul style="list-style-type: none"> Member, New Zealand Planning Institute Chartered Member, New Zealand Institute of Directors Member, Resource Management Law Association 	<ul style="list-style-type: none"> Chair, New Zealand Auditing and Assurance Standards Board Technical Director, Environment and Sustainable Business, Tonkin & Taylor Group Director, Manaaki Whenua: Landcare Research and Chair of Audit and Risk Committee 	<ul style="list-style-type: none"> Trustee – personal family trusts



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
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 Public Policy Committee – Audit Quality Working GroupParticipant of the Australian 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 & 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:	Amendments to ASSA 5000 <i>General Requirements for Sustainability Assurance</i>	Date:	14 May 2025
Office of the AUASB:	Doug Niven	Agenda Item:	3.1

Objective of this agenda paper

1. The objective of this agenda item is to seek the approval of AUASB members to issue a standard amending ASSA 5000 General Requirements for Sustainability Assurance Engagements (ASSA 5000) following consideration of responses to AUASB ED 01/25 Proposed amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements (ED 01/25).

Questions for AUASB members

No.	Question	
1	<p>Do AUASB members agree with the proposal to amend ASSA 5000 as follows:</p> <p>(a) Add transitional provisions that, for reporting periods commencing before 1 January 2026 and as at a specified date before 1 January 2026:</p> <p>(i) Allows the current APES 110 to be applied for assurance engagements over sustainability information instead of Part 5 of the IESBA Code; or</p> <p>(ii) When applying Part 5 of the IESBA Code:</p> <p>a. Non-assurance services contracted and where work commenced before 1 July 2025 can continue for one more financial year provided that the services would meet the requirements of the current APES 110; and</p> <p>b. Practitioners need not apply the requirements on the use of external experts.</p> <p>(See paragraphs 10 and 11 of this paper);</p> <p>(b) There would be no need to state any exceptions from Part 5 of the IESBA Code in assurance reports (see line 6 in Table 1 in paragraph 11 of this paper);</p> <p>(c) Amend the effective date of ASSA 5000 consistent with the proposed changes in AUASB ED 01/25 (see paragraphs 6(a), 12 and 13 of this paper); and</p> <p>(d) To clarify that the assurance standards that apply to assurance over information reported to the Clean Energy Regulator are in accordance with a Direction under the relevant legislation as proposed in ED 01/25.</p>	
2	Do members agree with the application of the ‘compelling reasons’ test (see paragraph 14 of this paper)?	
3	Do AUASB members agree that the proposed ASSA 2025-3 does not require exposure (see paragraph 18 of this paper)?	
4	Do AUASB members approve:	<p>(a) The proposed amending standard ASSA 2025-3 (see Agenda Paper 3.2)?</p> <p>(b) The Explanatory Statement to ASSA 2025-3 (see Agenda Paper 3.3)?</p>
5	Do AUASB members agree to consider whether to further amend ASSA 5000 (and the nature of any such amendments) after the APESB issues any amendments to APES 110 following their consideration of APESB ED 01/25 and ED 02/25 (see subparagraph 10(c) of this paper)?	

Background information

2. On 28 January 2025 the AUASB approved ASSA 5000 effective for assurance engagements on sustainability information reported:
 - (a) For periods beginning on or after 1 January 2025; or
 - (b) As at a specific date on or after 1 January 2025.

A footnote to the relevant application paragraph notes that (b) above does not require ASSA 5000 to apply to any engagements for periods beginning before 1 January 2025.
3. ASSA 5000 requires compliance with Part 5 of the IESBA International Ethics Standards for Sustainability Assurance (including International Independence Standards) (Part 5 of the IESBA Code) from these effective dates.
4. The effective dates of ISSA 5000 refer to 15 December 2026 rather than 1 January 2025. Part 5 of the IESBA Code also applies from 15 December 2026. Mandatory reporting and assurance for Group 1 entities under the *Corporations Act 2001* applies from years commencing 1 January 2025.

AUASB ED 01/25

5. At its meeting on 27 March 2025, the AUASB considered a proposed exposure draft (ED 01/25) which would amend ASSA 5000 for matters raised by audit firms as follows:
 - (a) To address possible practical matters arising on the initial application of Part 5 of the IESBA Code; and
 - (b) To provide more time to update methodologies for differences between ASSA 5000 and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.
6. The AUASB agreed to issue ED 01/25 which proposed the following substantive changes to ASSA 5000:
 - (a) Amending the operative dates for assurance engagements on sustainability information reported as follows:
 - (i) For information presented in a sustainability report under Chapter 2M of the *Corporations Act 2001* - For periods beginning on or after 1 January 2025 and as at the end of that period;
 - (ii) For all other engagements - as at a specific date on or after 31 December 2025 and for periods ending on that date, except where the period commenced before 1 January 2025.
 - (b) Providing limited additional transitional provisions for certain requirements of Part 5 of the IESBA Code:
 - (i) the provision of certain non-assurance services by assurers of public interest entity general purpose reports, subject to complying with the pre-existing requirements of APES 110; and
 - (ii) the use of external experts.
7. One member suggested that ASSA 5000 should not be amended for the proposed additional transitional provisions, before considering any possible precedent for the 'at least as demanding' test for adopting alternatives to the IESBA Code of Ethics.

Responses to ED 01/25

8. Table 1 below provides a high-level summary of the responses to ED 01/25. The submissions received have been provided to members and will be accessible through hyperlinks in the table below in the public version of this Board paper. A detailed compilation of submissions appears in Agenda Paper 3.4.

Table 1: High level summary of responses to ED 01/25

No.	Respondent	Part 5 of the IESBA Code				ASSA 5000	
		Not defer	Defer to APESB start dates (1/1/26 proposed)	Defer to 15/12/26	Amend proposed transitional provisions on non-assurance services if Part 5 not deferred	Support proposal in ED 01/25	Defer to 15/12/26 for non-Corps Act
1	Grant Thornton		Yes			Yes	
2	EY			Yes	<ul style="list-style-type: none"> Remove 'inadvertent' criterion for services contracted and work commenced between 1/1/25 and 30/6/25. Be explicit on the start date for value chain provisions in Part 5 (i.e. 1/7/28). 		Yes (early adoption permitted)
3	CA ANZ and CPA Australia		Yes		As above.		Yes
4	Deloitte		Yes		<ul style="list-style-type: none"> Remove 'inadvertent' criterion for services contracted and work commenced between 1/1/25 and 30/6/25. Extend to 1/1/26. Not support audit report disclosure. 	Yes	
5	KPMG		Yes but consider 15/12/26		<ul style="list-style-type: none"> Not support audit report disclosure. 		Yes
6	PwC			Yes		Yes	
7	APESB	Yes					

9. Most submissions supported amending ASSA 5000 as soon as possible to provide certainty. Respondents did not raise concerns with the proposal to clarify that the assurance standards that apply to assurance over information reported to the Clean Energy Regulator are in accordance with a Direction under the relevant legislation.

Deferral of Part 5 of the IESBA Code

10. It is recommended that:
- (a) ASSA 5000 be amended to introduce a transitional provision that would allow the current APES 110 to be applied until reporting periods commencing 1 January 2026 and for information as at a specified date on or before 1 January 2026;
 - (b) Where practitioners apply Part 5 of the IESBA Code, the following transitional provisions would be available:
 - (i) Non-assurance services contracted and work commenced before 1 July 2025 can continue for one more financial year provided that the services would meet the requirements of the current APES 110; and
 - (ii) Practitioners need not apply the requirements on the use of external experts; and
 - (c) The AUASB consider whether to further amend ASSA 5000 (and the nature of any such amendments) after the APESB issues any amendments to APES 110 to adopt Part 5. That would include considering adoption of the effective dates in a revised APES 110 (currently proposed to be 1/1/26).

AUASB Agenda Paper

11. Table 2 summarises the pros and cons of these recommendations.

Table 2: Arguments for and against allowing deferral of Part 5 of the IESBA Code

No.	For	Against
1	<ul style="list-style-type: none"> Allows more time for firms and their international networks to develop independence systems and processes to comply with Part 5 of the IESBA Code. Allows more time to identify changes required in applying Part 5 of the IESBA Code. 	<ul style="list-style-type: none"> The identified possible practical matters raised on the adoption of Part 5 of the IESBA Code from 1/1/25 could be addressed through the proposals in ED 01/25, subject to refinements. 1 January 2026 is earlier than the commencement date of 15 December 2026 for Part 5 of the IESBA Code that may apply to other firms in the international network.
2	<ul style="list-style-type: none"> Part 5 of the IESBA Code would apply from the mandatory dates under ISSA 5000. In the meantime, the existing APES 110 would apply. Arguably, there is no departure from ISSA 5000. 	<ul style="list-style-type: none"> ISSA 5000 and Part 5 were designed to work together and ISSA 5000 describes the IESBA sustainability ethics as fundamental to assurance under ISSA 5000. Could be seen to establish a precedent for applying the 'at least as demanding test'.
3	<ul style="list-style-type: none"> The AUASB would consider adopting the revised APES 110 after it is issued. The APESB proposes effective dates based on 1/1/26 rather than 15/12/26. 	<ul style="list-style-type: none"> The APESB submission states that 'APESB strongly supports the AUASB's pragmatic approach of referencing the relevant ethical requirements of Part 5 of the International Ethics Standards Board for Accountants (IESBA) Code when approving ASSA 5000, as an interim measure, pending the revisions to APES 110 for Sustainability Assurance.'
4	<ul style="list-style-type: none"> Practitioners could still apply Part 5 of the IESBA Code. Early adoption is also permitted and encouraged by IESBA. 	<ul style="list-style-type: none"> The APESB submission says that 'The Corporations Act 2001 (the Act) requires the assurance of sustainability information in Australia to be performed by the financial statement auditor. As Part 5 of the IESBA Code was developed based on Part 4A of the Code, which is applicable to financial statement auditors, the practical implication is that sustainability assurance practitioners complying with Part 5 of the IESBA Code would reach similar conclusions and follow consistent independence requirements to financial statement auditors for sustainability assurance engagements that are subject to the higher independence threshold in Part 5. Therefore, the current compliance with the requirements in Part 4A by the financial statement auditor in Australia should, in practice, result in substantial compliance with the requirements of Part 5. We also note that the entity's financial statement auditor will not significantly benefit from the use of Part 4B¹ of APES 110 for sustainability assurance engagements.'
5	<ul style="list-style-type: none"> Addresses concerns about applying an 'inadvertent' test for the transitional provision on non-assurance services. 	<ul style="list-style-type: none"> The transitional provisions may appear complex.
6	<ul style="list-style-type: none"> Addresses concerns about the illustrative audit reports noting the use of exceptions from Part 5 of the IESBA Code for non-assurance services and the use of experts. 	<ul style="list-style-type: none"> There will be two possible scenarios for the assurance report for years commencing 1 January 2025 to 31 December 2025: <ul style="list-style-type: none"> Compliance with Part 5 of the IESBA Code as amended by ASSA 5000 (which may later be replaced with compliance with the revised APES 110 as amended by ASSA 5000); and Compliance with the current APES 110.

Effective date of ASSA 5000

12. It is recommended that the AUASB amend the effective dates in ASSA 5000 as proposed in ED 01/25 (see subparagraph 6(a) above).
13. Three of the seven submissions suggested deferring the application of ASSA 5000 for non-Corporations Act assurance engagements to 15/12/26. Table 3 summarises arguments for and against this alternative.

Table 3: Arguments for and against deferring ASSA 5000 for non-Corporations Act engagements to 15/12/26

For	Against
<ul style="list-style-type: none"> • Allows more time for firms to update their methodologies from ASAE 3000 to ASSA 5000. Updates may not have taken place internationally and may need to be performed locally. • It would be possible for auditors to adopt ASSA 5000 early for non-Corporations Act assurance engagements. 	<ul style="list-style-type: none"> • Methodologies will need to be updated for work to be undertaken later this year on Corporations Act engagements for Group 1 entities with 31 December 2025 year ends. • The amendments proposed in ED 01/25 address concerns that at specified date engagements could apply early in the 2025 calendar year. • While assurance is phased in under ASSA 5010, it may be confusing and inconsistent for auditors and users to apply ASSA 5000 for mandatory assurance on some information in sustainability reports and ASAE 3000 for voluntary assurance on other information, particularly given the inter-connectivity of disclosures. • Updates to methodologies for Corporations Act engagements may assist with other sustainability assurance engagements. • Partners and staff new to sustainability assurance engagements will only need to learn one methodology and standard from 2026. • ISSA 5000 was developed for use in Europe for years ending 31 December 2024. • ASSA 5000 was based on ASAE 3000 and the EER guidance. The changes in methodology to, for example, require a risk assessment for limited assurance engagements are identifiable from IAASB papers. The Office of the AUASB is preparing a non-authoritative summary of the changes which may assist practitioners.

Compelling reasons test

14. The 'compelling reasons' test (see paragraphs 12 to 16 of [*AUASB Policy and Process for International Conformance and Harmonisation of Standards*](#)) requires that modifications to an international standard do 'not result in a requirement that is lesser than or in conflict with the international standard'. It is arguable that the compelling reasons test would be met on the basis that ASSA 5000 would be consistent with ISSA 5000 from the mandatory dates for applying ISSA 5000.

Due process

15. Some submissions raise concerns with the decision to adopt Part 5 of the IESBA Code from 1 January 2025 and suggest that the AUASB's due process was inadequate. The APESB submission supports the decision.
16. Earlier feedback on AUASB public consultation papers supported the adoption of ISSA 5000 for assurance on sustainability reports under the *Corporations Act 2001* and the proposed ISSA 5000 would require compliance with the IESBA sustainability assurance requirements. Part 5 was subject to consultation and due process by the IESBA and outreach by the APESB.
17. Our focus has been on addressing possible practical issues arising from the introduction of Part 5 of the IESBA Code. To the extent that there was any deficiency in due process, the [*Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other*](#)

Publications would require the AUASB to issue an exposure draft on the relevant matters. ED 01/25 would address that requirement.

Exposure

18. It recommended that the proposed ASSA 2025-3 not be exposed on the basis that:
- (a) The proposed standard is responsive to the submissions received;
 - (b) The option of deferring Part 5 of the IESBA Code was discussed in line ED 01/25 (see line 3 in Table 2 on options considered) and covered by a broader consultation question 4 on options;
 - (c) In response to question 5 in ED 01/25, the submissions from the accounting bodies and firms all supported issuing an amending standard as soon as possible and without waiting for the APESB to revise APES 110; and
 - (d) Subject to Board approval, it is proposed that the final revised APES 110 be adopted in ASSA 5000. Any stakeholder concerns on the proposals in APESB exposure drafts ED 01/25 and ED 02/25 can be raised in submissions to the APESB.

Basis for conclusions

19. A Basis for Conclusions on ASSA 2025-3 is being prepared that draws on material from this Board Paper. While the Basis for Conclusions does not require approval by AUASB members, a draft will be circulated after the 14 May 2025 Board meeting for comment.

Impact Analysis

20. An Impact Analysis will be prepared and submitted to the Office of Impact Analysis for approval.

Materials presented

Agenda paper	Description
3.2	Draft ASSA 2025-3 Amendments to ASSA 5000 <i>General Requirements for Sustainability Assurance Engagements</i>
3.3	Draft Explanatory Statement to ASSA 2025-3
3.4	Detailed compilation of submissions received on ED 01/25

DRAFT

ASSA 2025-3
(May 2025)

Amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements*

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Standard

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

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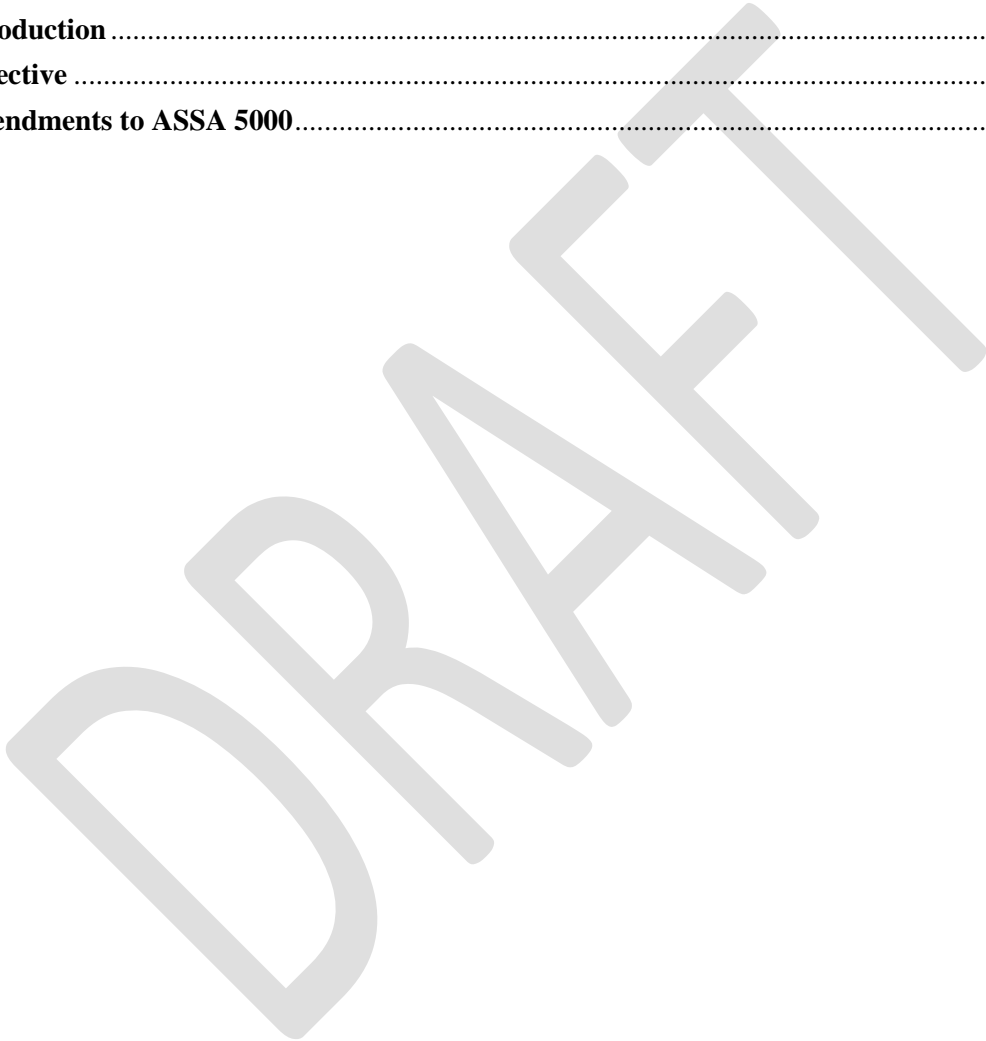
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CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

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PREFACE

Reasons for Issuing ASSA 2025-3

The AUASB issues standard ASSA 2025-3 Amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). 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 amends ASSA 5000 in connection with the application of Part 5 of the IESBA *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* and the effective dates for non-*Corporations Act 2001* assurance engagements. Minor amendments are also made to ASSA 5000 for clarity.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA 2025-3 Amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements* as an assurance standard pursuant to section 227B(1)(a) and (b) of the *Australian Securities and Investments Commission Act 2001* and for the purposes of s336 of the *Corporations Act 2001*.

Dated: 14 May 2025

D Niven
Chair - AUASB

DRAFT

Conformity with International Standards

The amendments made by this ASSA to ASSA 5000 *General Requirements on Sustainability Assurance Engagements* create certain transitional provisions relating to the adoption of Part 5 of the *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code). ASSA 5000 does not conform with ISSA 5000 *General Requirements on Sustainability Assurance Engagements* issued by the International Auditing and Assurance Standards Board to the extent that an assurance practitioner relies on those transitional provisions.

The transitional provisions do not apply after the commencement of ISSA 5000. ISSA 5000 is effective for assurance engagements on sustainability information reported:

- (a) For periods beginning on or after 15 December 2026; or
- (b) As at a specific date on or after 15 December 2026.

ISSA 5000 permits earlier application of that standard. ASSA 2025-3 permits the application of Part 5 of the IESBA Code from the effective dates for ASSA 5000.

AUSTRALIAN STANDARD ON SUSTAINABILITY ASSURANCE ASSA 2025-3

Amendments to ASSA 5000 *General Requirements for Sustainability Assurance Engagements*

Application

1. This ASSA applies as outlined in paragraphs Aus 0.1 and Aus 0.2 of ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) as amended by paragraph 7 of this ASSA.

Operative dates

2. This standard is operative as outlined in paragraphs Aus 0.3 and Aus 0.4 of ASSA 5000 as amended by paragraph 7 of this ASSA.

Introduction

3. This standard amends ASSA 5000.

Objective

4. The objective of this standard is to amend ASSA 5000 in connection with the application of Part 5 of the IESBA *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* and the effective dates for non-Corporations Act 2001 assurance engagements. Minor amendments are also made to ASSA 5000 for clarity.

Amendments to ASSA 5000

5. This ASSA uses underlining, striking out and other typographical material to identify the amendments to ASSA 5000, in order to make the amendments more understandable. However, the amendments made by this ASSA do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined.
6. The section on ‘Conformity with International Standards on Sustainability Assurance’ in ASSA 5000 is amended as follows:

Conformity with International Standards on Sustainability Assurance

This Standard on Sustainability Assurance conforms with International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements* issued by the International Auditing and Assurance Standards Board.

Paragraphs that have been added to this Standard on Sustainability Assurance (and do not appear or appear differently in/from the text of the equivalent ISSA) are identified with the prefix “Aus”.

The following paragraphs and definitions are additional to or have been amended from ISSA 5000:

**Australian Standard on Sustainability Assurance ASSA 2025-3 Amendments to ASSA 5000
General Requirements for Sustainability Assurance Engagements**

Paragraph	Summary of Change
Aus 6.1	Replaces ISSA 5000 introductory paragraph 6 to introduce APES 110 <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> and provisions in Part 5 of the <i>International Ethics Standards for Sustainability Assurance (Including International Independence Standards)</i> .
Aus 18.1	Introduces the definition of ‘the Code’ being include APES 110 Code of Ethics for Professional Accountants (including Independence Standards) and Part 5 of the <i>International Ethics Standards for Sustainability Assurance (Including International Independence Standards)</i> . This ensures that ‘Relevant ethical requirements’ are consistent with those in ISSA 5000 (see also Aus 18.3 below).
Aus 18.2	Replaces the definition of ‘Engagement team’ to prohibit the use of internal auditors to provide direct assistance in a sustainability assurance engagement.
Aus 18.3	Replaces definition of ‘Relevant ethical requirements’ to refer to ‘the Code’ such that ‘Relevant ethical requirements’ are consistent with those in ISSA 5000 (see Aus 18.1 above). The definition also includes specific reference to the requirements of Chapter 2M of the <i>Corporations Act 2001</i> .
Aus 18.4	Explains the different terms used in the <i>Corporations Act 2001</i> and AUASB Standards.
Aus 42.1 and Aus 42.2	These paragraphs prohibit the use of internal auditors to provide direct assistance in a sustainability assurance engagement.
Aus A29.1	Prohibits on the use of internal auditors to provide direct assistance in a sustainability assurance engagement.
<u>Aus 213</u>	<u>Transitional provisions relating to the adoption of Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards).</u>
Appendix 3	Amends illustrative audit reports consistent with the changes to the definition of ‘relevant ethical requirements’. <u>The illustrative assurance reports have been amended consistent with the definition of ‘the Code’ in paragraph Aus 18.1 and the transitional provisions in paragraph Aus 213.</u>

This Standard on Sustainability Assurance incorporates terminology and definitions used in Australia.

Except where the transitional provisions in paragraph 213 are applied, cCompliance with this Standard on Sustainability Assurance enables compliance with ISSA 5000.

7. Paragraphs Aus 0.1 to Aus 0.3 of ASSA 5000 are amended as follows:

Application

Aus 0.1 This Standard on Sustainability Assurance (ASSA) applies to assurance engagements on:

- (a) sustainability information in a sustainability report for a financial year in accordance with the *Corporations Act 2001* (the Act);
- (b) sustainability information where the engagement is held out to have been conducted in accordance with this ASSA; and

- (c) sustainability information for any other purpose, except where [National Greenhouse and Energy Reporting \(Audit\) Determination 2009](#) ~~ASAE 3410~~ (the NGER Determination) applies and that determination does not ~~is required~~ this ASSA to be applied.

Aus 0.2 This ASSA also applies, as appropriate, to assurance on other sustainability information.

Operative Date

Aus 0.3 Subject to paragraph Aus 0.4, this ASSA is effective for assurance engagements on sustainability information reported as follows:

- (a) For information presented in a sustainability report under Chapter 2M of the Corporations Act 2001 - For periods beginning on or after 1 January 2025 and as at the end of that period;
- (b) For all other engagements - As at a specific date on or after 31 December 2025 and for periods ending on that date, except where the period commenced before 1 January 2025.

Earlier application of this ASSA is permitted, except where the NGER Determination ASAE 3410 applies and that determination does not permit is required this ASSA to be applied.

Note: For the avoidance of doubt, paragraph Aus 0.3(b) does not require this standard to apply to any engagements for periods beginning before 1 January 2025.

8. The following is inserted immediately after paragraph 212:

Transitional provisions

Aus 213 For assurance engagements over sustainability information for reporting periods commencing before 1 January 2026 or as at a specified date before 1 January 2026, this standard may be applied as if paragraph Aus 18.1 was:

- (a) The definition of ‘the Code’ is APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited; or
- (b) The definition of ‘the Code’ is:
- (i) Parts 1 to 3 of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited; and
- (ii) The provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code) with effect from the operative date of this standard other than as follows:
- a. Subject to the transitional provisions for Part 5 of the IESBA Code;
- b. A non-assurance engagement by a firm or network firm entered into with a sustainability assurance client otherwise prohibited under Section 5600 may continue for one more financial year provided that the engagement was contracted and work commenced before 1 July 2025 and the provisions of APES 110 continue to be complied with; and

- c. The provisions on the use of external experts are not required to be applied.
9. In Illustration 1 in Appendix 3: Illustrations of Assurance Reports on Sustainability information in Appendix 3 of ASSA 5000 replace the third paragraph under the heading ***Basis for Opinion*** with:

[Insert whichever of the following three paragraphs is relevant depending upon the application of the transitional provisions in paragraph 213 of ASSA 5000]

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA) (the Code), as applicable to sustainability assurance engagements of public interest entities, together with the ethical requirements that are relevant to assurance engagements of public interest entities in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code), as applicable to sustainability assurance engagements of public interest entities, together with the ethical requirements that are relevant to assurance engagements of public interest entities in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of:

- (a) Parts 1 to 3 of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited; and
- (b) the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code) as amended by ASSA 5000 *General Requirements on Sustainability Assurance Engagements*,

as applicable to sustainability assurance engagements of public interest entities, together with the ethical requirements that are relevant to assurance engagements of public interest entities in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

10. In Illustration 1 in Appendix 3: Illustrations of Assurance Reports on Sustainability information in Appendix 3 of ASSA 5000 replace the following text:

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. **Emphasis of Matter**⁶

with the following text:

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

Emphasis of Matter⁶

11. In Illustration 2 in Appendix 3: Illustrations of Assurance Reports on Sustainability information in Appendix 3 of ASSA 5000 replace the third paragraph under the heading **Basis for Opinion** with:

[Insert whichever of the following three paragraphs is relevant depending upon the application of the transitional provisions in paragraph 213 of ASSA 5000]

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA) (the Code), together with the ethical requirements that are relevant to assurance engagements in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code), together with the ethical requirements in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of:

- (a) Parts 1 to 3 of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited; and
- (b) the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code) as amended by ASSA 5000 *General Requirements on Sustainability Assurance Engagements*,

together with the ethical requirements in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

12. In Illustration 3 in Appendix 3: Illustrations of Assurance Reports on Sustainability information in Appendix 3 of ASSA 5000 replace the fourth paragraph under the heading **Basis for Reasonable Assurance Opinion and/or Limited Assurance Conclusion** with:

[Insert whichever of the following three paragraphs is relevant depending upon the application of the transitional provisions in paragraph 213 of ASSA 5000]

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence*

Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA) (the Code), together with the ethical requirements that are relevant to our assurance engagement of the Information RA and Information LA in [title/identification of requirements, name of appropriate authority and jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code), together with the ethical requirements that are relevant to our assurance engagement of the Information RA and Information LA in [title/identification of requirements, name of appropriate authority and jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of:

- (a) Parts 1 to 3 of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited; and
- (b) the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code) as amended by ASSA 5000 *General Requirements on Sustainability Assurance Engagements*,

together with the ethical requirements that are relevant to our assurance engagement of the Information RA and Information LA in [title/identification of requirements, name of appropriate authority and jurisdiction], and we have fulfilled our other responsibilities in accordance with these requirements and the Code.

13. In Illustration 4 in Appendix 3: Illustrations of Assurance Reports on Sustainability information in Appendix 3 of ASSA 5000 replace the fifth paragraph under the heading ***Basis for Qualified Conclusion*** with:

[Insert whichever of the following three paragraphs is relevant depending upon the application of the transitional provisions in paragraph 213 of ASSA 5000]

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (APESB) and the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA) (the Code), together with the ethical requirements that are relevant to our assurance engagements of the Sustainability Information in [title/identification of requirements, name of appropriate authority and jurisdiction]. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code), together with the ethical requirements that are relevant to our assurance engagements of the Sustainability Information in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

OR

We are independent of the Company in accordance with the applicable requirements of:

- (a) Parts 1 to 3 of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited; and
- (b) the provisions in Part 5 of the *International Ethics Standards for Sustainability Assurance (Including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code) as amended by ASSA 5000 *General Requirements on Sustainability Assurance Engagements*,

together with the ethical requirements that are relevant to our assurance engagements of the Sustainability Information in *[title/identification of requirements, name of appropriate authority and jurisdiction]*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

DRAFT

ASSA 2025-3
(May 2025)

Explanatory Statement

Amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements

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



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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AUSTRALIA

Reasons for Issuing Standard ASSA 2025-3

The AUASB issues Australian Sustainability Assurance Standard ASSA 2025-3 Amendments to ASSA 5000 *Requirements for Sustainability Assurance Engagements*.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make auditing standards for the purposes of the corporations legislation. These standards are legislative instruments under the *Legislation Act 2003*.

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

Purpose of ASSA 2025-3

The purpose of ASSA 2025-3 is to address some possible practical matters arising on the introduction of ASSA 5000.

Main Features

ASSA 2025-3 amends ASSA 5000 in connection with the application of Part 5 of the IESBA *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* and the effective dates for non-*Corporations Act 2001* assurance engagements. Minor amendments are also made to ASSA 5000 for clarity.

Operative Date

ASSA 2025-3 is operative from the effective dates for ASSA 5000 as amended by ASSA 2025-3.

Process of making Australian Auditing Standards

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

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

Consultation Process prior to issuing ASSA 2025-3

The AUASB has consulted publicly as part of its due process in developing ASSA 2025-3, by issuing an exposure draft of the proposed standard along with an associated Explanatory Memorandum. The exposure period was 30 days.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of ASSA 2025-3.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASSA 2025-3 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to these standards.

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunseting 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 IAASB. The AUASB's Standards are exempt from sunseting because a more stringent review process than sunseting 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 sunseting 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*.

Commencement of ASSA 2025-3

ASSA 2025-3 was made on 14 May 2025. ASSA 2025-3 is effective for the same dates as ASSA 5000 which it amends. ASSA 2025-3 is effective for assurance engagements on sustainability information reported as follows:

- (a) For information presented in a sustainability report under Chapter 2M of the *Corporations Act 2001* - For periods beginning on or after 1 January 2025 and as at the end of that period; and
- (b) For all other engagements - As at a specific date on or after 31 December 2025 and for periods ending on that date, except where the period commenced before 1 January 2025.

The first assurance engagements on sustainability information covered by ASSA 5000 will be for annual reporting periods ending 31 December 2025, and the majority of the assurance work will commence in the second half of the 2025 calendar year.

Moreover, ASSA 2025-3 provides relief from aspects of the new requirements ASSA 5000 by:

- (a) Delaying the start date for applying ASSA 5000 for many assurance engagements to provide more time for assurance practitioners to update their assurance methodologies;
- (b) Delaying new independence requirements to provide more time for assurance providers to update their independence systems and processes; and
- (c) Delaying specific new independence requirements relating to the provision of non-assurance services and the use of external experts.

ASSA 2025-3 also clarifies that pre-existing assurance requirements apply for assurance over information reported to the Clean Energy Regulator rather than ASSA 5000.

Therefore, the commencement dates for ASSA 2025-3 are not expected to disadvantage any person.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

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

Legislative Instrument: **Australian Sustainability Assurance Standard ASSA 2025-3 Amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements**

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 is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of ASSA 2025-3

The purpose of ASSA 2025-3 is to address some possible practical matters arising on the introduction of ASSA 5000 *General Requirements for Sustainability Assurance Engagements*.

Main Features

ASSA 2025-3 amends ASSA 5000 in connection with the application of Part 5 of the IESBA *International Ethics Standards for Sustainability Assurance (including International Independence Standards)* and the effective dates for non-*Corporations Act 2001* assurance engagements. Minor amendments are also made to ASSA 5000 for clarity.

Human Rights Implications

ASSA 2025-3 was issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standard does 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.

COMPILATION OF SUBMISSIONS ON ED 01/25

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
1. Do you agree that the proposed amendments to introduce new transitional provisions in ASSA 5000 for certain requirements of Part 5 of the IESBA Code are appropriate?	<p>No. APESB is firmly of the view that transitional provisions for ethical requirements should only be addressed in standards promulgated by the APESB, including the forthcoming AESSA. Introducing additional transitional provisions relating to ethical requirements within ASAs including ASSA 5000 risks regulatory confusion, creates opportunities for regulatory arbitrage and potentially oversteps the AUASB's mandate as established by the ASIC Act 2001.</p> <p>The transitional provisions within ASSA 5000 should be an exact replica of the transitional provisions established in the IESBA Code and the AESSA. The amendments that are proposed in</p>	<p>No. We do not believe that referencing Part 5 of the IESBA Code in ASSA 5000 is necessary or appropriate, and accordingly nor are the proposed transitional provisions necessary. In our view, references to APES 110 suffice for the short interim period expected prior to the APESB issuing Part 5 of the APESB Code (an exposure draft is currently open for consultation), which is expected in the coming months.</p> <p>If the AUASB proceeds with references to Part 5 of the IESBA Code, then we have the following recommendations for further refinement to the proposals in the ED:</p> <ul style="list-style-type: none"> In relation to the proposed non-assurance services transitional provision, the term "inadvertently" introduces unnecessary ambiguity and 	<p>Not supportive of adopting Part 5 of the IESBA Code as has not been adopted in Australia, and therefore we are not supportive of it being incorporated by reference in ASSA 5000, a legal instrument, nor retrospectively applied.</p> <p>Deloitte's preference is to defer the application of Part 5 of the IESBA Code, and refer to the APES 110.</p> <p>We consider the independence requirements applicable to assurance engagements conducted under ASSA 5000 should align to the effective date and transitional provisions of the proposed AESSA, i.e. commencing 1 January 2026.</p> <p>The proposals in the ED may instead lead to potentially disproportionate outcomes such as inadvertent independence breaches, amended or qualified assurance reports, and result in confusion in the market and lack of confidence in the independence of</p>	<p>Yes if retain Part 5 in ASSA 5000. EY's preference is alignment with the IESBA effective date for Part 5, and alignment with the APESB Code operative dates.</p> <p>EY recommended further refinements to some of the proposed amendments:</p> <ul style="list-style-type: none"> The transitional provision permitting a firm to continue non-assurance engagements, otherwise prohibited under Section 5600 of Part 5 of the IESBA Code, for one reporting period should apply to all engagements contracted and work commenced before 1 July 2025. This would provide firms with adequate transitional relief and simplify the proposed amendment by eliminating potential interpretation differences of what 'inadvertently' means in practice. In addition, EY suggests that the value chain 	<p>Not supportive of early adoption of Part 5 of the IESBA Code, and considers option 3 outlined in table 3, which suggests a deferral of the application of the entire Part 5 of the IESBA Code to 1 January 2026, with the current APES 110 applying in full in the meantime, to be a superior option.</p>	<p>No. KPMG's preferred option would be to reconsider Option 3 in Table 3 of the ED for mandatory engagements. Option 3 defers the application of the entire Part 5 of the IESBA Code to 1 January 2026, with the current APES 110 applying in full in the meantime. If ASSA 5000 refers to the APES 110 Code instead of the IESSA then no further updates are required to ASSA 5000 when APES 110 Part 5 is available. Additionally, there will be no need for disclosures in the audit report indicating that the auditor departed from the IESSA, and no amendments to ASA 102 will be necessary.</p> <p>Whilst Option 3 is KPMG's preferred option, if this is not implemented then we would support the transitional relief outlined in Table 2 No. 3. to change the commencement dates for engagements to apply to as at a specified date engagements on or</p>	<p>Not supportive of early adoption of Part 5 of the IESBA Code and suggests the AUASB to consider deferring the adoption of Part 5 of the IESBA Code to align with the effective date of international adoption.</p> <p>If the AUASB proceeds with early adoption of Part 5 of the IESBA Code, the transitional provisions are appropriate and necessary.</p> <p>Refers to response to Question 4 for comments on the early adoption of Part 5 of the IESBA Code.</p>

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>ASSA 5000 are unnecessary and potentially inconsistent with the proposed APESB transitional provisions in the APESB ED 01/25 and ED 02/25 (see Appendix B), which adequately address transition relief for Australian practitioners. It is also possible that, based on respondents' feedback that there will be changes to APESB's transitional provisions that may also impact AUASB's ASSA/ASA 2025-3.</p> <p>The principles and obligations underpinning auditor independence, including those related to NAS and auditor rotation, are already well-established within APES 110 and further reinforced by the legislative provisions under the Act. Therefore, compliance with the existing requirements of Part</p>	<p>subjectivity. It is not clear how a non-assurance services engagement would be "inadvertently" contracted, or how this would be enforced in practice. This gives rise to the risk of differing interpretations, leading to inconsistent application across the market. We recommend that this aspect of the proposals is removed.</p> <ul style="list-style-type: none"> • Changes to the wording of the illustrative assurance reports (see our response to question 7). • Clarity on the effective date of the value chain provisions. 	<p>the auditor. For example, introducing a new concept of "inadvertent" non-compliance with respect to the proposed NAS transitional provision is inconsistent with APES 110 and the proposed AESSA and would require even further interpretation. In addition, requiring "exception" reporting in the assurance report could undermine the confidence of investors and the market in the independence of the assurance practitioner. It may also create potential breach reporting obligations under Section 307 of the Act, which would further undermine trust in the overall sustainability reporting and assurance environment. As the assurance provider under the Act must be the same individual as the financial statement auditor, they are already required to comply with APES 110 Parts 1-3 and Parts 4A and 4B covering independence for audit and assurance engagements, as well as the auditor</p>	<p>provisions are explicitly excluded from the 1 January 2025 operative date of ASSA 5000. While ASSA 5000 adopts the transitional provisions of Part 5 of the IESBA Code, the delayed value chain effective date is described under the "Effective Date" section, not the "Transitional Provisions" section of IESBA's Final Pronouncement.</p>		<p>after 31 December 2025 and for reporting periods ending on that date. This means that the IESSA (or APES Part 5 Final Pronouncement) will apply from 1 January 2026 to such engagements. In this case, clarity should be provided on whether Part 4B of the APES 110 Code would continue to apply for engagements prior to 1 January 2026.</p>	

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>4A of the IESBA Code and APES 110 should, in practice, result in substantial compliance with Part 5, as the differences between the two parts are minimal. We are concerned that the proposed AUASB transitional provisions risk undermining this established framework by implying the need for alternative treatment. Such an approach may unintentionally codify prior non-compliance with Part 4A of APES 110.</p> <p>Appendix D sets out the APESB's suggested amendments to the proposals in the AUASB ED.</p> <p>APESB respectfully requests that the AUASB defer making decisions and not proceed with amendments that impact APES 110 until such time as APESB is expected to finalise its deliberations on its Exposure Drafts for</p>		<p>independence requirements of the Act. The significant additional requirements in Part 5 related to Value Chain Entities and Use of External Experts do not apply until at least 2026 as they have later effective dates.</p> <p>Should the AUASB retain references to Part 5 of the IESBA Code in ASSA 5000, then we agree that the proposed transitional provisions are required. In relation to the transitional provisions on non-assurance services, we recommend the AUASB remove the proposed “inadvertently contracted” wording and change the date of the transitional provision to apply to services commenced before 1 January 2026, to align it with the effective date of the proposed AESSA.</p>				

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>Sustainability Ethics and Independence Standards at its 17th of June Board meeting, thereby ensuring that a cohesive and clear direction is provided for sustainability practitioners by both the AUASB and the APESB. If transitional provisions relating to ethical and independence requirements are to be included in ASSA/ASA 2025-3, the provisions should be an exact replica of the provisions established in the IESBA Code or the forthcoming AESSA as outlined in APESB ED 01/25 and ED 02/25, with any difference specifically limited to the application date of ASSA 5000.</p> <p>A summary of the key interactions between the transitional provisions outlined in the AUASB ED, the IESSA and APESB exposure drafts, together with</p>						

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>proposed amendments to the AUASB ED to address the concerns raised above, is set out in Appendix C.</p> <p>APESB supports the deferral of the start date for external experts, which aligns with the approach taken in the APESB ED 02/25 and is necessary, as an interim measure, to give effect to a deferred application date.</p> <p>APESB suggests an alternative, aligning the transitional provisions in 2025-3 and 2025-4, to the intent of the APESB transitional provisions in Appendix D.</p>						
<p>2. Do you agree with the proposal to change the start date for applying ASSA 5000 to engagements other than engagements for assurance over information in sustainability</p>	<p>Yes.</p>	<p>Yes but recommend that the start date is aligned with that of ISSA 5000, being periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026. This would support international consistency, provide such sustainability assurance</p>	<p>Yes</p>	<p>No. The start date for applying ASSA 5000 to assurance engagements not required under Chapter 2M of the Corporations Act 2001 should be aligned with the ISSA 5000 effective date of 15 December 2026. Early application could still be permitted for firms that prefer to</p>	<p>We agree with the proposed amendments to the operative date because the current wording of ASSA 5000 brings into scope voluntary reports earlier than we believe was anticipated in the case where the voluntary report discloses metrics as at and during the period.</p>	<p>KPMG supports changing the start date of ASSA 5000 for voluntary engagements, however suggest considering aligning the date with the international timeline for greater consistency.</p>	<p>Yes.</p>

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
reports under Chapter 2M?		practitioners with more implementation time and avoid the complexity of having excessive different dates. We support continuing to permit earlier application.		apply ASSA 5000 across all their engagements.			
3. In the alternative, are you of the view that the AUASB should not make the amendments referred to in Questions 1 and 2 above?	Refers to the details in the response to Question 1: APESB is of the view that the AUASB should <u>not</u> make the amendments referred to in Question 1, except in relation to deferral of the effective date of the provisions in Section 5390 relating to the use of external experts. Support the proposed amendments in Question 2.	Refers to responses to Questions 1 and 2.	We are concerned that the retrospective application of the independence requirements and the practical implementation issues created as a result, together with different effective dates and transitional provisions to the proposed AESSA, will add complexity and continue to cause confusion for assurance providers, users of sustainability assurance reports and other stakeholders. Deloitte's preference is to defer the application of Part 5 of the IESBA Code, remove Part 5 of the IESBA Code from ASSA 5000 and refer instead only to the APES 110 Code. The AESSA, when it is adopted as Part 5 of APES 110, is the standard that will contain the relevant and applicable ethical requirements. The	N/A	Amendments in Questions 1 and 2 should be made. However, a complete deferral of the adoption of Part 5 of the IESBA code, to align with international adoption may be a better solution.	Refers to responses to Questions 1 and 2.	Refers to response to Question 4.

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
			current APES 110 applies in full in the transitional year.				
4. Are there any other options that should be considered by the AUASB?	<p>The transition relief proposed by APESB is in draft form and may change based on stakeholder comments. This may necessitate further amendments to ASSA 5000 if the AUASB approves all its proposed amendments before APESB completes its due process for the sustainability ethics and independence standards.</p> <p>Therefore, APESB encourage the AUASB to consider undertaking a staged approach to their revisions process, with the first step focusing on three key issues:</p> <ul style="list-style-type: none"> • Amendments to the application of ASSA 5000 to sustainability reports prepared under Chapter 2M of the Corporations Act 2001; • Clarifications regarding the 	Refers to responses to Questions 1.	We consider that, on balance, the independence objectives can still be achieved and the public interest may be better served by the removal of Part 5 of the IESBA Code from ASSA 5000, so as to provide confidence, clarity and consistency in the implementation of the independence requirements.	An option that the AUASB could have considered prior to adopting ASSA 5000 is for practitioners to continue applying ASAE 3000 and ASAE 3410 together with the extant APES 110 as an interim measure for mandatory sustainability reporting as required under Chapter 2M of the Corporations Act 2001. This option would have allowed sufficient time for the APESB to publicly consult on and adopt Part 5 of the IESBA Code into APES 110. In so doing, ASSA 5000 would then only need to reference APES 110 and it would have also eliminated the complications associated with retrospective application of the standard.	<p>We consider Option 3 included in Table 3, which suggests a deferral of the application of the entire Part 5 of the IESBA Code to 1 January 2026, with the current APES 110 applying in full in the meantime, to be a superior choice, and request the AUASB to consider this further. GT's considerations of other options in Table 3 are summarised on page 4 of their submission.</p> <p>The major difference between Part 5 and the existing APES 110 requirements relate to independence of experts and the value chain independence requirements, which are less likely to be relevant in the first year of mandatory assurance.</p> <p>We consider that the current APES 110 requirements meet the "at least as demanding" requirements until the IESBA is fully adopted by the APESB. Using this approach, we would expect that the</p>	As per the response to Question 1, KPMG recommends that the AUASB reconsider Option 3 in Table 3 of the ED – to defer the application of the entire Part 5 of the IESBA Code to 1 January 2026, with the current APES 110 Code applying in full in the meantime.	<p>We suggest the AUASB consider deferral of the application of Part 5 of the IESB Code to align the effective date of international application.</p> <p>Deferring the application of Part 5 of the IESBA Code would allow audit practitioners adequate time to address practical implementation requirements including:</p> <ol style="list-style-type: none"> (a) The consideration and determination, in the required level of detail, of the incremental requirements of Part 5 itself (an exercise which was anticipated to be performed at a global level over the next 12-18 months); and (b) The determination, design, testing and implementation of changes necessary to policies, guidance and training materials and to local and global systems and process which are

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>applicability and treatment of assurance engagements conducted under the National Greenhouse and Energy Reporting Scheme (NGERS); and</p> <ul style="list-style-type: none"> • Deferral of the effective date of the provisions in Section 5390 relating to the use of external experts. <p>All other proposed amendments, particularly those relating to ethical and independence matters, should be deferred until the APESB finalises its revisions to APES 110.</p>				<p>APESB would and should utilise the international transitional provisions similar to how other IESBA changes have recently been applied.</p> <p>Option 3 would also simplify the proposed amendments to the assurance reports by alleviating transitional provision disclosures. We consider the requirement to disclose that transitional provisions have been applied and the services to which they relate to be onerous and unnecessary, not consistent with previous practice when transitional provisions have previously been applied in APESB adoption in the past and is likely to create confusion for users of the report.</p>		<p>required only to be operative at a local level/ for a single network firm and not for all network firms.</p> <p>We do not consider there to be compelling reason for ASSA 5000 and Part 5 to have aligned implementation dates on the basis that:</p> <p>(a) Australian audit firms and engagement teams will be subject to (i) APES 110, including parts 1 to 3, Part 4A and part 4B (for the mandatory sustainability engagement); and (ii) Part 2M of the Corporations Act.</p> <p>(b) The application of APES 110 Part 4B requirements is consistent with the provision of Limited (and not Reasonable) Assurance which is required to be provided under ASSA 5010.</p>
<p>5. Do you agree that the AUASB should amend ASSA 5000 as soon as possible to</p>	<p>We do not support the position where transitional provisions are included in ASSA 5000 before the</p>	<p>We agree that the proposed amendments to change the effective date of ASSA 5000, along with our</p>	<p>We consider that ASSA 5000 should refer only to APES 110 and the AUASB and APESB should align the effective dates of the</p>	<p>Subject to the recommendations provided in our response to other questions, we agree that ASSA 5000 should</p>	<p>The standard is already in application, so any amendments to the AUASB should amend ASSA 5000 as soon as possible. Waiting for the</p>	<p>In the interests of clarity and consistency, KPMG suggests that the AUASB wait for the APESB to issue a revised APES 110 Code</p>	<p>If the adoption of Part 5 of the IESBA Code is deferred to be consistent with IESSA effective dates, the imperative to urgently</p>

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
provide certainty to assurance practitioners and assured entities? In the alternative, should the AUASB wait for the APESB to issue a revised APES 110 before making any amendments to ASSA 5000?	revised APES 110 is finalised (refers to responses to Questions 1 and 4). Other amendments that are not related to ethics and independence could be determined by the AUASB prior to the issue of the revised APES 110.	recommendation to remove all references to Part 5 of the IESBA Code, should be made as soon as possible by the AUASB.	Independence requirements, and this may require the AUASB to wait for the APESB to issue the AESSA.	be amended as soon as possible to provide clarity and certainty to the firms, and their clients, that are already obligated to apply Part 5 of the IESBA Code.	APESB to issue a revised APES 110 could delay the process and create uncertainty, which may hinder the effective implementation of the new standards.	before making amendments to ASSA 5000.	issue a revised APES 110 is removed.
6. Do you agree with the proposal to clarify the application to the Clean Energy Regulator?	Yes. APESB encourages the AUASB to work with the Clean Energy Regulator to ensure the applicable Code for such engagements is updated as soon as possible to align with the revised version of the Code.	Yes.	Yes.	Yes.	Yes.	Yes.	Yes.
7. Illustrative assurance reports	APESB would support the AUASB considering the proposed amendments to the illustrative assurance reports after APESB has issued a revised APES 110. We recommend that the illustrative reports in Appendix 3 of ASSA 5000 do	We recommend removing all references in ASSA 5000 to Part 5 of the IESBA Code—these references are not necessary and the impact on assurance reports is one example of the unnecessary complexity and potential confusion this approach causes.	Not supportive of the amendments to the proposed illustrative assurance reports in ASSA 5000. We suggest the illustrative assurance report wording be amended as follows: <i>We are independent of the Company in accordance with the applicable</i>	Strongly disagree. In our view, if a practitioner is compliant with the transitional provisions permitted under ASSA 5000, then there should not be any exceptions that require disclosure. This is also consistent with other transitional provisions for adoption of changes to the Code. The proposed wording	We agree that breaches should be reported by the auditor pursuant to paragraph 190 of ASSA 5000 and in the auditor's independence declaration under Chapter 2M. We consider the addition of the requirement to outline the specifics of whether the transitional provisions apply, and	The proposed amendments to the illustrative assurance reports will cause confusion for investors. KPMG suggests revising the requirements to avoid this issue. If independence is measured against compliance with IESSA or the APES 110 Code (paragraph (a)) and as permitted under ASSA	We consider that independence exception reporting should not be required if there has been compliance with the transitional provisions permitted in ASSA 5000. Clear communication and appropriate transitional measures are crucial to managing expectations and maintaining confidence

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>not refer to Part 5 of the <i>International Ethics Standards for Sustainability Assurance</i> (including <i>International Independence Standards</i>). As ASSA/ASA 2025-4 is intended to be applied retrospectively, the reference should be solely to APES 110.</p> <p>APESB does not support the inclusion of referencing to the firm/network firm not applying provisions on the use of the work of an external expert. These requirements (as currently proposed by both the AUASB and APESB) are not applicable for assurance engagements on sustainability information reported before reporting periods beginning on or after 1 January 2026, or as at a specific date on or after 1 January 2026. APESB has proposed</p>	<p>As currently drafted, the wording “except that” in the illustrative assurance reports is confusing and potentially misleading for users of assurance reports. This phrasing may give the impression that the assurance practitioner has breached or failed to comply with the ethical requirements, when in fact they are operating within the permitted scope of ASSA 5000 by making use of the transitional provisions. The complexity and undesirable implications of the wording are indicative of the issues caused by including references to Part 5 of the IESBA Code.</p> <p>If the AUASB proceeds with references to Part 5 of the IESBA Code, we recommend revising the language in the illustrative assurance reports to avoid the misleading implication of non-compliance, clarifying that auditors are fully compliant with the</p>	<p><i>requirements of the Code being:</i></p> <p><i>(a) APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (APES 110); and</i></p> <p><i>(b) the provisions in Part 5 of the International Ethics Standards for Sustainability Assurance (Including International Independence Standards) issued by the International Ethics Standards Board for Accountants (Part 5 of the IESBA Code), as applicable under ASSA 5000.</i></p>	<p>with respect to the transitional provisions in the illustrative assurance reports would cause unnecessary confusion among investors and other users of the sustainability reports.</p> <p>We recommend that the AUASB adopts similar wording that firms currently use in the Basis for Opinion section of the Auditor’s Report for audits of financial statements, as illustrated in the AUASB Bulletin.</p>	<p>the services is unnecessary and could be confusing.</p> <p>We further consider the wording “except that” in the assurance report could be confusing to investors and may be read similar to “except for”. If read as an “except for” reports could be misinterpreted by users to be a form of qualification of the report, further undermining investor confidence.</p> <p>We do not think a statement of non-compliance with Part 5 in the assurance report is necessary, and in fact, this may further confuse users of the sustainability reports.</p> <p>We recommend a simplification in the illustrative assurance reports at the end of ASSA 5000 to state that the assurance practitioner complies with the independence and the broad ethical requirements that have been applied.</p>	<p>5000 (paragraph (b)), then the auditor is independent, and there should be no need to provide the detailed disclosure outlined in (b)(i) and (b)(ii).</p>	<p>in audit firms during this transition period.</p>

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	transitional provisions for use of external experts that could be referenced by the AUASB in ED 02/25 (refer to page 71 of APESB ED 02/25). Accordingly, section (b)(ii) is not required in the illustrative report as the requirements are not applicable.	standard and transitional provisions, rather than presenting them as exceptions.					
8. Are there any matters that the AUASB should be aware of in connection with the proposal to amend ASA 102 to adopt the proposed revised APES 110 for non-sustainability assurance engagements with effect from financial reporting periods commencing on or after 1 January 2026?	APESB recommends that ASA 102 be amended to permit early adoption for non-sustainability assurance engagements. We also recommend careful monitoring of APES 110 and AUASB standards to help ensure alignment is maintained.	ASA 102 should not need to be amended every time a new APES 110 Amending Standard is issued. We recommend the AUASB establishes a way to refer to the version of APES 110 that is applicable at any particular time.	We recommend ASA 102 be updated to refer to the revised APES 110 (including the AESSA) only after it is adopted and issued by the APESB.	N/A	No comment.	KPMG suggests that the AUASB wait for the revised APES 110 Code to be finalised prior to making amendments to ASA 102.	No comment.
9. What are the costs and benefits of the proposals,	APESB strongly considers that the cost and complexity of the proposed amendments, in	Australia is one of the first jurisdictions globally that has introduced mandatory	Refer to the above responses.	N/A	Costs: <ul style="list-style-type: none"> Financial and reputational costs of any inadvertent breaches if the 	A strong assurance regime and appropriate independence requirements delivers substantial benefits in	Due to the international inconsistency created by early adoption along with limited lead time for firms to recognise

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
<p>whether quantitative or qualitative and whether financial or non-financial?</p>	<p>their current form, significantly outweigh any potential benefits. These costs, while not necessarily quantitative in nature, have substantial implications for the implementation of the sustainability assurance framework in Australia.</p> <p>APESB is of the view that the proposed inclusion of ethical and independence transitional provisions within the AUASB's standards increases the risk of inconsistency and confusion for assurance practitioners.</p> <p>Further, the proposals, if implemented, could set a precedent for the AUASB interpreting or amending APESB standards.</p> <p>APESB acknowledge the AUASB's intent to provide clarity around the application of its standards during</p>	<p>sustainability reporting with assurance and adopted ISSA 5000. As a result, Australian firms are having to develop assurance methodologies to support the implementation of ASSA 5000, which is a significant resource investment, both financial and non-financial, particularly for smaller practices.</p> <p>The proposal in the ED to defer the start date for applying ASSA 5000 to other sustainability assurance engagements would spread this cost over a longer implementation period.</p>			<p>proposed amendments or the proposal in option 3 is not adopted and assurance practitioners are required to report inadvertent breaches.</p> <ul style="list-style-type: none"> • Risk of confusion in the marketplace with a two-tier independence system for Chapter 2M versus voluntary reporting • Risk of confusion in the marketplace over the detail relating to independence in the assurance report being perceived as a qualification which may decrease investor confidence where the exceptions noted are read by users as a qualification or breach. • Increased compliance costs for firms due to the need for additional training, system updates, and adjustments to methodologies sooner than originally planned through international networks and the costs of creating 	<p>ensuring investment grade information for investors and stakeholders.</p> <p>There are, however, significant costs associated with the short timeframe associated with the proposals, that puts pressure on practitioners to be upskilled appropriately across the new requirements, as well as an increased threshold on ethics and independence.</p>	<p>and implement the necessary changes to their independence and quality management processes and systems, there is a risk of unintentional breaches and system failures which could affect stakeholder perception and trust.</p>

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>the transitional period; however, this objective can be more effectively achieved through minimal changes as addressed in Question 1 above, rather than through the current proposals.</p>				<p>manual processes. These costs are higher if the proposed amendments or the proposal in option 3 is not taken, due to the international education and system changes that would be required to bridge the gap in timing.</p> <ul style="list-style-type: none"> • Time and resources required to implement the new requirements and train staff. These costs are higher if the proposed amendments are not passed or option 3 is not taken, due to the education and system changes that would be required to bridge the gap in timing across international jurisdictions. • Costs of compliance for firms will likely be passed on to preparers of the sustainability report and increase the cost of compliance for preparers of the sustainability report. <p>Benefits:</p> <ul style="list-style-type: none"> • Enhanced consistency with 		

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
					<p>international standards, improved quality of sustainability assurance engagements, and increased confidence in sustainability information reported by entities, particularly if option 3 is considered. Improved compliance with international standards, increasing trust and confidence among stakeholders.</p> <ul style="list-style-type: none"> • Strengthened credibility and reliability of sustainability reports, contributing to better decision-making by stakeholders and promoting greater transparency and accountability in sustainability practices. • The greater benefit would be to implement Option 3 as it would result in enhanced consistency with international standards, improved quality of sustainability 		

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
					assurance engagements, and increased confidence in sustainability information reported by entities.		
10. Any other significant public interest matter	<p>Mixed messaging or overlapping requirements from different standard-setting bodies can undermine clarity of the application of the standards and can erode public trust. APESB strongly believes that the public interest is best upheld by the AUASB ensuring any proposed amendments to ASSA 5000 for ethical requirements, where absolutely required to fill a gap, are non-existent to minimal and are consistent with the ethical and independence standards set by the APESB.</p> <p>APESB also note that the AUASB ED contains extensive commentary on ethical requirements that</p>	<p>The short 30-day comment period for the ED, exacerbated by it coinciding with a major holiday period in Australia (Easter holidays, ANZAC Day and school holidays) leads to the concerned that the lack of time allowed for consultation could mean important perspectives and impacts are missed.</p> <p>We recommend that the AUASB continues to work closely with APESB on this area due to the interoperability between ASSA 5000 and the exposure drafts on Part 5 of the APESB Code and use of experts.</p>	<p>Scope:</p> <p>ASSA 5000 refers to Parts 1-3 of APES 110 as well as Part 5 the IESBA Code. However, Part 5 of the IESBA Code already includes Parts 1-3 for all sustainability assurance engagements. This is duplicative and could cause confusion. If the AUASB retain references to Part 5 of the IESBA Code, then we recommend removing references to Parts 1-3 of APES 110.</p> <p>ASSA 5000 only refers to Part 5 of the IESBA Code and not the corresponding amendments to the IESBA Code, which are the revised glossary and other consequential amendments. This could result in confusion among assurance providers and possible inconsistent application.</p>	N/A	<p>As assurance readiness assessment over sustainability reports is a precondition to accepting an assurance engagement over the sustainability report, we would welcome guidance as to whether these be treated as non-assurance services prior to the assurance engagement, or should they be treated as an extension of assurance services to meet the required preconditions and if so, recommendations of how these should be engaged.</p> <p>We would also welcome independence guidance over non-assurance services provided for readiness (i.e. agreed upon procedures or gap analysis) in order to address self-review threat considerations and how this will be considered by the regulator following recent communications</p>	<p><u>Transitional relief for external experts and assurance engagements</u></p> <p>The proposals in Table 2 No. 2 and 3 relate to transitional relief for external experts and assurance engagements.</p> <p>KPMG welcomes the release of the APESB exposure draft for consultation which proposes transitional provisions for the independence provisions concerning the use of external experts, and we will be providing feedback on this separately.</p> <p>In relation to assurance engagements, whilst Table 3, Option 3 is KPMG's preferred option, if this is not implemented then we would support the transitional relief outlined in Table 2 No. 3. This would change the commencement dates for engagements to apply to as at a</p>	<p>It would be beneficial for consistency in the market if the proposals in this ED were expanded to produce a standardised assurance report in accordance with the assurance timeline outlined in ASSA 5010.</p>

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
	<p>fall within the remit of the APESB. APESB is concerned about the unintended consequences of the views expressed within the AUASB ED concerning the role, interpretation or application of ethical requirements as set by APESB and the IESBA.</p>		<p>Assurance Sustainability Fee Disclosure:</p> <p>Part 5 requires public disclosure of the sustainability assurance fee by the assurance client (paras R.5410.30 and 31).</p> <p>Unlike the disclosures required for the audit fee and non-audit services in Part 4A, there is no equivalent requirement in AASB 1054/60 to separately disclose the sustainability assurance fee in the financial statements. We acknowledge this is not a standard issued by the AUASB, however it is an issue being created by the adoption of Part 5 of the IESBA Code in ASSA 5000.</p> <p>The auditor will be required to discuss separate disclosure of the sustainability assurance fee with each client, in order for the auditor to comply with Part 5 of the IESBA Code, in the absence of any requirement for the client to do so. If the client does not do so, then the auditor would be required to publicly disclose the fee, and</p>		<p>from the PJC report released in November 2023 over the extent of non-assurance services provided by assurance practitioners.</p> <p>We recommend clarification on the definition of the “first year” for partner rotation considerations. Should the “first year” be defined as the first reporting period applicable under ASSA 5000? Or should historical assurance services on voluntary sustainability information count towards the years before rotation for both the engagement lead and the engagement quality reviewer?</p>	<p>specified date engagements on or after 31 December 2025 and for reporting periods ending on that date. This means that the IESSA (or APES Part 5 Final Pronouncement) will apply from 1 January 2026 to such engagements. In this case, clarity should be provided on whether Part 4B of the APES 110 Code would continue to apply for engagements prior to 1 January 2026.</p>	

Question	APESB	CPA / CA ANZ	Deloitte	EY	GT	KPMG	PwC
			this is a departure from current market practice that may create additional complexity and confusion.				



AUASB Agenda Paper

Title:	ASA 570 <i>Going Concern</i>	Date:	14 May 2025
Office of AUASB Staff:	Rene Herman	Agenda Item:	4

Objective of Agenda Item:

1. The objective of this Agenda Item is to seek Board member approval of the new ASA 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing Standards*, and the related Explanatory Statements.

Questions for AUASB members

No.	Question for AUASB members
1	Do AUASB members agree with the Office of the AUASB's recommendations on: a) Australian-specific amendments (paragraphs 4-6); b) Illustrative auditor's reports (paragraph 7); c) PIE Track 1 amendments through the auditor's report (paragraph 8); and d) Inclusion of going concern decision diagram as an appendix to ASA 570 (paragraph 9)?
2	Do AUASB members have any comments on the draft ASA 570 Basis for Conclusions (Agenda paper 4.3) or illustrative audit reports under the <i>Corporations Act 2001</i> (Appendix 1 of Agenda Item 4.1)?
3	Do AUASB members approve the following documents for issue, subject to any editorials that may arise from quality review? a) Draft ASA 570 <i>Going Concern</i> (Agenda Item 4.1); b) Explanatory Statement (Agenda Item 4.2); c) Draft ASA 2025-5 <i>Amendments to Australian Auditing Standards</i> (Agenda Item 4.4.1); and d) Conforming Amendments to Other AUASB Standards (Agenda Item 4.4.2)
4	Do AUASB members agree that the final ISA 570 should not be re-exposed in Australia (paragraphs 15 to 17)?

Background and Previous Discussions on Topic

2. At the February 2025 AUASB meeting, the AUASB discussed the [revised ISA 570](#) approved by the IAASB at its December 2024 meeting but then subject to PIOB certification. The PIOB certification has since been given.
3. The AUASB agreed in-principle to adopt revised ISA 570 with no substantive changes and without re-exposure in Australia, subject to seeing the Australian version of the ISA 570, the conforming and consequential amendments to other AUASB standards, and a draft explanatory statement. The AUASB also agreed to remove the optional subheading "No material uncertainty exists" from the illustrative example reports (see [Agenda Item 6 of February 2025 board pack](#) and [minutes of February 2025 meeting](#) for more details).

Matters for AUASB Consideration

A. Australian-specific paragraphs/amendments

4. As agreed at the February 2025 AUASB meeting, paragraph Aus 3.1 from extant ASA 570, (director's solvency statement), is retained in the revised ASA 570 as Aus 3.1. The wording is slightly amended to only refer to *Corporations Act 2001* requirement as the reference to AASB 101 *Presentation of Financial Statements* is already in paragraph 3 of the revised ASA 570.
5. As agreed at the February 2025 AUASB meeting, the optional subheading "No material uncertainty exists" has been removed from all illustrative example auditor's reports in ASA 570 and ASA 2025-5.
6. Other non-substantive changes have been made to draft ASA 570 as part of the process that the Office of the AUASB undertook to "Australianise" ISA 570 (Revised 2024). Such changes include terminology and spelling changes. These are marked up for AUASB's ease of reference (see Agenda Item 4.1.1).

B. Illustrative auditor's reports

7. In extant ASA 570, the IAASB illustrations of auditor's reports have been deleted and replaced by Australian-specific example auditor's reports that conform with the requirements of the *Corporations Act 2001*. The Office of the AUASB recommends that for the revised ASA 570:
 - (a) IAASB Illustrations 1 and 3 of the revised ISA 570 are retained to provide examples of non-Corporations Act entities as well as scenarios where there is no MURGC;
 - (b) Replace IAASB Illustrations 2, 4, 5 and 6 of the revised ISA 570 with Australian-specific example auditor's reports that conform with the requirements of the Corporations Act.
 - (c) Provide a Corporations Act specific example containing a disclaimer of opinion (limitation of scope) akin to that in extant ASA 570.

For examples 2, 4, 5 and 6, the Office of the AUASB has reflected mark-up from ISA 570 Revised, while for example 7, mark-ups from extant ASA 570 have been provided.

8. While ASA 570 was not scoped in for Public Interest Entities (PIE) Track 1 project¹, since ASA 570 is currently being revised, the Office of the AUASB suggests flowing through amendments arising from PIE Track 1² project to the example auditor's reports for listed entities in the revised ASA 570.

C. Going Concern diagram

9. The IAASB included within the Basis of Conclusions (page 41), a walkthrough of the auditor's decision-making process for Going Concern. This diagram is akin to that currently in extant ASA 570, [Aus] Appendix 1 Linking Going Concern Considerations and Types of Audit Opinions. As this diagram provides a useful summary to auditors and adds value in the practical application of the standard, the Office of the AUASB recommends this diagram be replicated to replace [Aus] Appendix 1 in the extant. There are two options where this chart can be housed:
 - Option 1 – Insert after the illustrative auditor's reports as [Aus] Appendix 2 and provide a reference to the chart in paragraph Aus A72.1 (part of the standard); or
 - Option 2 – Maintain the chart on a dedicated page on the AUASB website and the AUASB Digital Portal (not part of the standard).

¹ PIE Track 1 is a narrow scope project as a result of the IESBA project on the definitions of listed entity and PIE. Because the revisions to the IESBA Code become effective for audits and reviews of financial statements for periods beginning on or after 15 December 2024, the IAASB have progressed on a faster-moving track with the aim of aligning the effective date of the Track 1 narrow scope amendments to that of the IESBA PIE Revisions. See IAASB's Basis for Conclusions for further details.

² Amends Corporations Act example auditor's reports for listed entities in ASA 700 *Forming an Opinion and Reporting on a Financial Report* to disclose publicly the application of the independence requirements for certain entities including PIEs.

AUASB Agenda Paper

The Office of the AUASB recommends Option 1 (see [Aus] Appendix 2 of Agenda Item 4.1) as it provides a useful summary of the revised ISA 570 and replaces what is currently in extant ISA 570.

D. Conforming amendments

10. At the end of ISA 570 (Revised 2024) are the conforming and consequential amendments to other ISAs. The Australian equivalents of these ISAs (ASAs) are made under section 336 of the *Corporations Act 2001*, except the following:
 - *ASA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement;*
 - *ASA 810 Engagements to Report on Summary Financial Statements;* and
 - *IAPN 1000 Special Considerations in Auditing Financial Instruments.*
11. As the ASAs (other than ASA 805 and ASA 810) are legislative instruments, they can only be amended by another legislative instrument. See Agenda Item 4.4.1 for the draft amending standard ASA 2025-5. Amendments to ASA 805 and ASA 810 are presented in a table format in Agenda Item 4.4.2.
12. The Australian equivalent of IAPN 1000 is [GS 020 Special Considerations in Auditing Financial Instruments](#). The IAASB has made a very minor amendment to one sentence of IAPN 1000. GS 020 was issued in 2012 and redating GS 020 for a minor amendment might imply that GS 020 is up-to-date. However, GS 020 is 84 pages long and has not been updated for matters such as the revised ASA 540. The Office of the AUASB suggests scoping out amendments to GS 020 for a future holistic review of GS 020 as part of the GS revision project.

E. Basis for Conclusions

13. In accordance with the [Due Process Framework for Developing, Issuing, and Maintaining AUASB Pronouncements and Other Publications](#), a Basis for Conclusions (see Agenda Item 4.3) has been prepared detailing how decisions were reached on revised ISA 570, including:
 - (a) How comments raised in the AUASB's submission on the IAASB's exposure draft of the proposed ISA 570 were addressed by the IAASB;
 - (b) How the IAASB responded to comments received in submissions on its exposure draft of the proposed ISA 570. This is achieved by referring to the IAASB's Basis for Conclusions (link provided in Agenda Item 4.3); and
 - (c) Explain the reasons for the Australian amendments to ISA 570.
14. Much of this material is consistent with the material presented to the Board at its 19 February 2025 meeting (see Agenda Paper 6 in the [Consolidated Meeting Pack](#)).
15. While the Due Process Framework does not require the AUASB to approve the Basis for Conclusions, AUASB member feedback is welcomed.

F. Re-exposure of ISA 570

16. At the February 2025 AUASB meeting, AUASB members indicated they are not anticipating re-exposing ISA 570. The final decision would be made after reviewing the draft ASA 570, the Basis of Conclusions, the conforming and consequential amendments to other AUASB standards, and a draft explanatory statement.
17. The [AUASB Due Process Framework](#) contains criteria for re-exposure of standards. The criteria and how they apply for the final ISA 570 are summarised in the table below.

AUASB Agenda Paper

Paragraph reference	Criterion	Comments	Supports re-exposure?
72(a), 73	<p>The nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed. See also paragraph 73 below.</p> <p>:</p>	<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 Item 4.3) have not changed. • The changes proposed to requirements and recommended practices since the ISA 570 ED are not so significant as to cause a major change in practice. See Agenda Item 5.2.1 of September 2024 board pack and Agenda Item 4.2 of June 2024 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> <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"> • The key elements of the ED have been retained. • Respondents to the May 2023 AUASB Consultation Paper Exposure of the IAASB's Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs overall supported for ISA 570 to be adopted in Australia. There was no significant feedback that impacted potential compelling reasons modifications to ISA 570. • All of the areas of change proposed by the IAASB were public at the time of the AUASB Consultation Paper. 	No
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	None.	No

AUASB Agenda Paper

Paragraph reference	Criterion	Comments	Supports re-exposure?
	that any re-exposure does not conflict with the AUASB's policy of convergence to international standards).		
72(e)	The nature and extent of input from stakeholders and whether: <ul style="list-style-type: none"> i. further consultation with those stakeholders is required; or ii. additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard 	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 implementation guidance material or staff FAQs would address concerns.	Not applicable.	No

18. The Office of the AUASB recommends that ISA 570 is not re-exposed in Australia.

Other matters

19. The NZAuASB decided in principle at its June 2025 meeting to adopt the revised ISA 570 for voluntary use from 15 December 2026 (early adoption permitted).

Materials presented

Agenda paper	Description
4.1	Draft ASA 570 <i>Going Concern</i>
4.1.1	Draft ASA 570 <i>Going Concern</i> (Mark-up version from ISA 570 (Revised 2024))
4.2	Explanatory Statement
4.3	Basis for Conclusions
4.4.1	ASA 2025-5 <i>Amendments to Australian Auditing Standards</i>
4.4.2	Conforming Amendments to Other AUASB Standards

ASA 570
(May 2025)

Auditing Standard ASA 570

Going Concern

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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Draft

PREFACE

Reasons for Issuing ASA 570

The AUASB issues Auditing Standard ASA 570 *Going Concern* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). 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 (FRC), 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 Auditing Standard represents the Australian equivalent of ISA 570 (Revised 2024), *Going Concern* and will replace the current ASA 570 issued by the AUASB in December 2015 (as amended to March 2023).

This Auditing Standard contains differences from the ISA 570 (Revised 2024), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 570 *Going Concern* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to AUASB Standards*, which sets out how AUASB Standards are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: 14 May 2025

D Niven
Chair - AUASB

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 570 (Revised 2024), *Going Concern* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

The following requirement is additional to ISA 570 (Revised 2024):

- Paragraph Aus 3.1 refers to solvency statement requirements in the directors’ declaration under the *Corporations Act 2001*.

The following application and other explanatory material is additional to ISA 570:

- [Aus] Appendix 2 contains diagram of the auditor’s decision-making process for going concern.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 570 (Revised 2024).

Draft

AUDITING STANDARD ASA 570

Going Concern

Application

- Aus 0.1 This Auditing 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.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods beginning on or after 15 December 2026. Early adoption of this Auditing Standard is permitted prior to this date.

Introduction

Scope of this Auditing Standard

1. This Australian Auditing Standard (ASA) deals with the auditor's responsibilities in the audit of ~~financial statements~~ financial report relating to going concern and the implications for the auditor's report. Although this ~~ISA~~ ASA applies irrespective of the entity's size or complexity, particular considerations apply only for audits of ~~financial statements~~ financial reports of listed entities. (Ref: Para. A1–A2)

Going Concern Basis of Accounting

2. Under the going concern basis of accounting, the ~~financial statements~~ financial report are-is prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose ~~financial statements~~ financial report are-is prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose ~~financial statements~~ financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some ~~financial statements~~ financial reports prepared on a tax basis in particular jurisdictions). When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to ~~realize~~ realise its assets and discharge its liabilities in the normal course of business. (Ref: Para. A3)

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management

3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern and include standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, International Australian Accounting Standard (IASAASB) 101 requires management to make an assessment of an entity's ability to continue as a going

concern.¹ The detailed requirements regarding management's responsibility to assess the entity's ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation. (Ref: Para. A4)

Aus 3.1 The Corporations Act 2001[#], requires a formal statement as to the solvency of the entity to be made by those ~~edirectorsharged with governance~~ and included as part of the financial report upon which the auditor's opinion is expressed.

4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of ~~financial statements~~a financial report as discussed in paragraph 2, the preparation of the ~~financial statements~~financial report requires management to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.
5. Management's assessment of the entity's ability to continue as a going concern involves making a ~~judgment~~judgement, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that ~~judgment~~judgement:
 - The degree of uncertainty associated with the outcome of an event or condition increases significantly the further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the minimum period for which management is required to take into account all available information.
 - The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the ~~judgment~~judgement regarding the outcome of events or conditions.
 - Any ~~judgment~~judgement about the future is based on information available at the time at which the ~~judgment~~judgement is made. Subsequent events may result in outcomes that are inconsistent with ~~judgment~~judgements that were reasonable at the time they were made.

Responsibilities of the Auditor

6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the ~~financial statements~~financial report does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.
7. However, as described in ISA/ASA 200,² the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of a reference to an identified material uncertainty related to events or conditions that may cast significant doubt on the

¹ See AASB 101/IAS 1, *Presentation of Financial Statements*, paragraphs 25–26.

[#] See, for example, section 295(4) of the *Corporations Act 2001*.

² See ISA/ASA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing/Australian Auditing Standards*, paragraphs A56–A57.

entity's ability to continue as a going concern in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

Effective Date

8. [Deleted by the AUASB. Refer Aus 0.3]

Objectives

9. The objectives of the auditor are:
- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the [financial statements](#)[financial report](#);
 - (b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (c) To report in accordance with this [ISAASA](#).

Definition

10. For the purposes of this Auditing Standard, the following term has the meaning attributed below:
- (a) **Material Uncertainty (Related to Going Concern)**—An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. "May cast significant doubt" is used to refer to circumstances where the magnitude of the potential impact and likelihood of occurrence of the identified events or conditions are such that, unless management's plans for future actions mitigate their effects, the entity may be unable to [realizerealise](#) its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future. (Ref: Para. A5–A6)

Requirements

Risk Assessment Procedures and Related Activities

11. In applying [ISAASA 315 \(Revised 2019\)](#),³ the auditor shall design and perform risk assessment procedures, including those required by paragraph 12, to obtain audit evidence that provides an appropriate basis for determining whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. The identification of such events or conditions shall be before consideration of any related mitigating factors included in management's plans for future actions. (Ref: Para. A7–A15)

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

12. In applying [ISAASA 315 \(Revised 2019\)](#),⁴ the auditor shall perform risk assessment procedures to obtain an understanding of: (Ref: Para. A9–A15)

The Entity and Its Environment

³ See [ISA-ASA 315 \(Revised 2019\)](#), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 13-14.

⁴ See [ISA-ASA 315 \(Revised 2019\)](#), paragraphs 19-27.

- (a) The entity's business model, objectives, strategies and related business risks relevant to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A16)
- (b) Industry conditions, including the competitive environment, technological developments, and other external factors affecting the entity's financing.
- (c) The measures used, internally and externally, to assess the entity's financial performance, including forecasts, future cash flows, and management's budgeting processes. (Ref: Para. A17)

The Applicable Financial Reporting Framework

- (d) The requirements of the applicable financial reporting framework relating to going concern, and the related disclosures that are required to be included in the entity's [financial statements](#)[financial report](#). (Ref: Para. A18, A20)
- (e) The basis for management's intended use of the going concern basis of accounting. (Ref: Para. A19–A20)

The Entity's System of Internal Control

- (f) Unless all of those charged with governance are involved in managing the entity,⁵ how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A21–A22)
- (g) The entity's risk assessment process to identify, assess and address business risks relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- (h) How management identifies the relevant method, significant assumptions and data that are appropriate in assessing the entity's ability to continue as a going concern. (Ref: Para. A23–A24)
- (i) How the entity's financial reporting process addresses disclosures related to the entity's ability to continue as a going concern. (Ref: Para. A25)

Remaining Alert Throughout the Audit for Information about Events or Conditions

- 13. The auditor shall remain alert throughout the audit for information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A26–A29)

Events or Conditions not Previously Identified or Disclosed by Management

- 14. In applying [ISA/ASA 315 \(Revised 2019\)](#),⁶ the auditor shall determine whether the audit evidence obtained from risk assessment procedures and related activities indicates the existence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor. (Ref: Para: A30–A31)

Control Deficiencies Within the Entity's System of Internal Control

- 15. In applying [ISA/ASA 315 \(Revised 2019\)](#),⁷ based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one

⁵ See [ISA/ASA 260 \(Revised\)](#), *Communication with Those Charged with Governance*, paragraph 13.

⁶ See [ISA/ASA 315 \(Revised 2019\)](#), paragraph 35.

⁷ See [ISA/ASA 315 \(Revised 2019\)](#), paragraph 27.

or more control deficiencies in respect of management's assessment of going concern have been identified. (Ref: Para. A32)

Evaluating Management's Assessment

16. Where management has not yet performed an assessment of the entity's ability to continue as a going concern, the auditor shall request management to make its assessment. If management is unwilling to make its assessment, the auditor shall consider the implications for the audit. (Ref: Para. A33)
17. The auditor shall design and perform audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern, including the significant ~~judgment~~judgements on which management's assessment is based. (Ref: Para. A34–A36)
18. In designing and performing the audit procedures required by paragraph 17, the auditor shall do so in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. (Ref: Para. A37)

Method, Significant Assumptions and Data Used in Management's Assessment

19. The audit procedures required by paragraph 17 shall include evaluating the method, significant assumptions and data used by management in assessing the entity's ability to continue as a going concern. In determining the nature and extent of such audit procedures, the auditor shall take into account the results of the risk assessment procedures performed. Such audit procedures shall address: (Ref: Para. A35, A38, A46)
 - (a) The method used by management to assess the entity's ability to continue as a going concern, including whether the:
 - (i) Method selected is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from the method used in prior periods are appropriate; and (Ref: Para. A40)
 - (ii) Calculations, if applicable, are applied in accordance with the method and are mathematically accurate. (Ref: Para. A41)
 - (b) Whether the significant assumptions on which management's assessment is based are: (Ref: Para. A42)
 - (i) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate; and
 - (ii) Consistent with each other and with related assumptions used in other areas of the entity's business activities, based on the auditor's knowledge obtained in the audit.
 - (c) Whether the data is:
 - (i) Relevant and reliable; and (Ref: Para. A43–A44)
 - (ii) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate. (Ref: Para. A45)

Period Beyond Management's Assessment

20. The auditor shall ~~inquire~~enquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern. If management or the auditor identifies such events or conditions, the auditor shall request management to evaluate the potential significance of the

Auditing Standard ASA 570

Going Concern

events or conditions on its assessment of the entity's ability to continue as a going concern. (Ref: Para. A47–A49)

Requesting Management to Extend Its Assessment

21. If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the ~~financial statements~~financial report as defined in ~~ISA-ASA~~ 560,⁸ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. A50–A53)

Management Unwilling to Extend its Assessment

22. If management is unwilling to extend its assessment when requested to do so by the auditor, the auditor shall discuss the matter with management and, where appropriate, those charged with governance. (Ref: Para. A54–A56)
23. If, following the discussion required by paragraph 22, in the auditor's professional ~~judgment~~judgement it is necessary for management to extend its assessment and management remains unwilling to do so, the auditor shall determine the implications for the audit. (Ref: Para. A57)

Information Used in Management's Assessment

24. In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall consider whether management's assessment includes all relevant information of which the auditor is aware.
25. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor, the auditor shall:
- (a) Discuss the matter with management to understand the effects of those events or conditions on management's assessment of the entity's ability to continue as a going concern and request management to evaluate their potential significance;
 - (b) Determine whether it is necessary to request management to revise its going concern assessment to address the effect of those events or conditions; and (Ref: Para. A58)
 - (c) If applicable, design and perform additional audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern in accordance with paragraphs 17-19.

Evaluating Management's Plans for Future Actions

26. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall evaluate management's plans for future actions in relation to its going concern assessment, including whether: (Ref: Para. A59–A62)
- (a) The outcome of these plans is likely to be sufficient to mitigate the effects of the identified events or conditions;
 - (b) Management's plans are feasible in the circumstances; and
 - (c) Management has both the intent and ability to carry out specific courses of action.

⁸ See ~~ISA-ASA~~ 560, *Subsequent Events*, paragraph 5(b).

27. If management's plans for future actions include the use of significant assumptions or data, the auditor shall perform the audit procedures required by paragraph 19(b)-(c).

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

28. If management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, the auditor shall obtain audit evidence about the intent and ability of those parties to maintain or provide the necessary financial support. (Ref: Para. A63–A65)

Information Becomes Known After the Date of the Auditor's Report

29. If additional information becomes known to the auditor after the date of the auditor's report but before the date the ~~financial statements~~financial report ~~are~~is issued that is related to management's assessment of the entity's ability to continue as a going concern, the auditor shall perform procedures in accordance with ISA~~ASA~~ 560. (Ref: Para. A66)

Evaluating the Audit Evidence Obtained and Concluding

30. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report. In doing so, the auditor shall: (Ref: Para. A67)
- (a) Evaluate whether the ~~judgment~~judgements and decisions made by management in making its assessment of the entity's ability to continue as a going concern, even if they are individually reasonable, are indicators of possible management bias. When indicators of possible management bias are identified, the auditor shall evaluate the implications for the audit. (Ref: Para. A68–A71)
 - (b) Consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the ~~financial statements~~financial report.
31. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's professional ~~judgment~~judgement, a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A72)

Adequacy of Disclosures

Adequacy of Disclosures When No Material Uncertainty Exists

32. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the ~~financial statements~~financial report provides adequate disclosures about these events or conditions, including, as applicable, when significant ~~judgment~~judgements are made by management in concluding that there is no material uncertainty. (Ref: Para. A73–A76)

Adequacy of Disclosures When a Material Uncertainty Exists

33. If the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the ~~financial statements~~financial report: (Ref: Para. A77)

- (a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans for future actions to address these events or conditions; and
- (b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that the entity may be unable to realize its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.

When a material uncertainty exists, adequate disclosure of the nature and implications of the uncertainty is necessary for:

- (i) In the case of a fair presentation financial reporting framework, the fair presentation of the ~~financial statements~~ financial report, or
- (ii) In the case of a compliance framework, the ~~financial statements~~ financial report not to be misleading.

Implications for the Auditor's Report

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists

34. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A78–A79)
- (a) State that: (Ref: Para. A80–A81)
 - (i) In the context of the audit of the ~~financial statements~~ financial report as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~ financial report is appropriate;
 - (ii) Based on the audit evidence obtained, the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.
 - (b) For an audit of ~~financial statements~~ financial report of a listed entity, when significant ~~judgment~~ judgements are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern: (Ref: Para. A82–A83, A89)
 - (i) Include a reference to the related disclosure(s) in the ~~financial statements~~ financial report, if any; and (Ref: Para. A73–A76)
 - (ii) Describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A84–A88)

Use of Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists

Adequate Disclosure of a Material Uncertainty Is Made in the ~~Financial Statements~~ Financial Report

35. If adequate disclosure about the material uncertainty is made in the ~~financial statements~~ financial report, the auditor shall express an unmodified opinion and the auditor's

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report shall include a separate section under the heading “Material Uncertainty Related to Going Concern” and: (Ref: Para. A78–A79, A90–A91)

- (a) Include a reference to the related disclosure(s) in the [financial statements/financial report](#); (Ref: Para. A73, A77)
- (b) For an audit of [financial statements/financial report](#) of a listed entity, describe how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern; (Ref: Para. A84–A88)
- (c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern;
- (d) State that:
 - (i) The auditor’s opinion is not modified in respect of the matter;
 - (ii) In the context of the audit of the [financial statements/financial report](#) as a whole, and in forming the auditor’s opinion thereon, the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the [financial statements/financial report](#) is appropriate; and
 - (iii) The auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report and are not a guarantee as to the entity’s ability to continue as a going concern.

Adequate Disclosure of a Material Uncertainty Is Not Made in the [Financial Statements/Financial Report](#)

36. If adequate disclosure about the material uncertainty is not made in the [financial statements/financial report](#), the auditor shall: (Ref: Para. A78–A79, A90, A92)

- (a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with [ISA/ASA 705 \(Revised\)](#);⁹
- (b) In the Basis for Qualified (Adverse) Opinion section of the auditor’s report, state that a material uncertainty exists and that the [financial statements/financial report](#) does not adequately disclose this matter;
- (c) Include in the auditor’s report a separate section under the heading “Material Uncertainty Related to Going Concern” and:
 - (i) Draw attention to the Basis for Qualified (Adverse) Opinion section of the auditor’s report that states that a material uncertainty exists that has not been adequately disclosed in the [financial statements/financial report](#);
 - (ii) State that:
 - a. In the context of the audit of the [financial statements/financial report](#) as a whole, and in forming the auditor’s opinion thereon, the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the [financial statements/financial report](#) is appropriate; and

⁹ See [ISA/ASA 705 \(Revised\)](#), *Modifications to the Opinion in the Independent Auditor’s Report*.

- b. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

Considerations When the Auditor Disclaims an Opinion on the ~~Financial Statements~~Financial Report

37. When the auditor disclaims an opinion on the ~~financial statements~~financial report, unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.¹⁰ (Ref: Para. A93–A94)

Use of Going Concern Basis of Accounting Is Inappropriate

38. If the ~~financial statements~~financial report have-has been prepared using the going concern basis of accounting but, in the auditor's professional ~~judgment~~judgement, management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report is inappropriate: (Ref: Para. A95–A96)
- (a) The auditor shall express an adverse opinion; and
- (b) Unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.

Written Representations

39. The auditor shall request written representations from management¹¹ and, where appropriate, those charged with governance addressing: (Ref: Para. A97)
- (a) Whether management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report is appropriate;
- (b) Whether the method, significant assumptions and data used in management's assessment of going concern and any related disclosures are appropriate in the context of the applicable financial reporting framework;
- (c) That management's assessment of going concern reflects all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management is aware of, and all such events or conditions, if any, have been disclosed to the auditor; and
- (d) That matters relevant to going concern have been adequately disclosed in the ~~financial statements~~financial report, including, when applicable, significant ~~judgment~~judgements made by management in concluding that there is no material uncertainty.
40. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern the written representations required by paragraph 39 shall also address: (Ref: Para. A97)
- (a) Management's plans for future actions and whether such plans mitigate the effects of the identified events or conditions;
- (b) The feasibility of these plans; and

¹⁰ See ISA-ASA 705 (Revised), paragraph 29.

¹¹ See ISA-ASA 580, Written Representations.

- (c) Whether management has the intent to carry out specific courses of action and has the ability to do so.

Communication with Those Charged with Governance

41. Unless all those charged with governance are involved in managing the entity,¹² the auditor shall communicate on a timely basis with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A98–A99)
42. If events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall communicate with those charged with governance: (Ref: Para. A100)
- (a) Whether the events or conditions constitute a material uncertainty;
 - (b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the ~~financial statements~~financial report;
 - (c) An overview of the audit procedures performed and the basis for the auditor's conclusions, including the auditor's evaluation of management's plans for future actions;
 - (d) The adequacy of related disclosures in the ~~financial statements~~financial report, including disclosures that describe the significant ~~judgment~~judgements made by management and the mitigating factors in management's plans that are of significance to overcoming the adverse effects of the events or conditions;
 - (e) When applicable, management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested; and
 - (f) The implications for the audit or the auditor's report. (Ref: Para. A101)

Reporting to an Appropriate Authority Outside of the Entity

43. When the auditor considers including a separate section under the heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issuing a modified opinion in respect of matters related to going concern, the auditor shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A102–A105)
- (a) Require the auditor to report to an appropriate authority outside the entity.
 - (b) Establish responsibilities or rights under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Documentation

44. In applying ~~ISA~~ASA 230,¹³ the auditor shall include in the audit documentation significant professional ~~judgment~~judgements made relating to the auditor's:
- (a) Conclusions on:
 - (i) The appropriateness of management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report; and

¹² See ~~ISA~~ASA 260 (Revised), paragraph 13.

¹³ See ~~ISA~~ASA 230, *Audit Documentation*, paragraphs 8–11, A6–A7 and Appendix 1.

- (ii) Whether or not a material uncertainty exists; and
- (b) Determination of the adequacy of management's disclosures in the ~~financial statements~~financial report related to going concern.

* * *

Draft

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1)

- A1. In addition to the matters addressed by this [ISA/ASA](#), [ISA/ASA](#) 701¹⁴ deals with the auditor's responsibility to communicate key audit matters in the auditor's report. That [ISA/ASA](#) acknowledges that, when [ISA/ASA](#) 701 applies, the following are, by their nature key audit matters:¹⁵
- A material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
 - When significant ~~judgment~~[judgements](#) were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

However, in such circumstances, the implications for the auditor's report are in accordance with this [ISA/ASA](#).

- A2. For audits of ~~financial statements~~[financial reports](#) of listed entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and significant ~~judgment~~[judgements](#) were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this [ISA/ASA](#) requires the auditor to disclose under the heading of "Going Concern" within the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Going Concern Basis of Accounting

Considerations Specific to Public Sector Entities (Ref: Para. 2)

- A3. Management's use of the going concern basis of accounting is also relevant to public sector entities. For example, International Public Sector Accounting Standard (IPSAS) 1 addresses the issue of the ability of public sector entities to continue as going concerns.¹⁶ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of ~~privatization~~[privatisation](#). Events or conditions that may cast significant doubt on an entity's ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management (Ref: Para. 3)

- A4. The circumstances in which entities prepare ~~financial statements~~[financial reports](#) on a going concern basis of accounting may vary. For example, [IAS/AASB 101](#) explains that those circumstances could range from when an entity has a history of profitable operations and ready access to financial resources, to when management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.¹⁷

¹⁴ See [ISA-ASA 701](#), *Communicating Key Audit Matters in the Independent Auditor's Report*.

¹⁵ See [ISA-ASA 701](#), paragraph 15.

¹⁶ See IPSAS 1, *Presentation of Financial Statements*, paragraphs 38–41.

¹⁷ See [IAS-AASB 101](#), paragraph 26.

Definition (Ref: Para. 10)

- A5. The applicable financial reporting framework may or may not explicitly use the term “material uncertainty” when describing the uncertainties that are required to be disclosed in the [financial statements](#)[financial report](#) related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. For example, the term “material uncertainty” is used in [IASAASB 101](#) and IPSAS 1. In some other financial reporting frameworks, the term “significant uncertainty” is used in similar circumstances. The auditor is required by paragraph 31 to conclude whether a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a “material uncertainty.” The applicable financial reporting framework may also not define or describe the term “may cast significant doubt” or may use other terms or phrases.
- A6. Plans for future actions may include, for example, that management [realize](#)[realises](#) assets sooner than originally intended or obtains alternative or additional sources of liquidity to support the entity’s ability to continue as a going concern (also see paragraphs 26–28). In such circumstances, the timing of the events or conditions giving rise to the uncertainty may also be relevant. For example, the shorter the time period in which management must take action, the more significant the uncertainty may be about the entity’s ability to continue as a going concern.

Risk Assessment Procedures and Related Activities

Events or Conditions That May Cast Significant Doubt on the Entity’s Ability to Continue as a Going Concern (Ref: Para. 11)

- A7. Some events or conditions may not cast significant doubt when considered individually, however when considered collectively with other events or conditions they may cast significant doubt on the entity’s ability to continue as a going concern.

Examples:

The following are examples of identified events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. These examples are not all-inclusive.

Financial

- Net liability or net current liability position.
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets.
- Indications of withdrawal of financial support by creditors.
- Recurring negative cash flows from operations or inability to generate cash flows from operations indicated by historical or prospective [financial statements](#)[financial reports](#).
- Adverse key financial ratios.
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows.
- Arrears or discontinuance of dividends.
- Inability to pay creditors on due dates.

- Non-compliance or marginal ability to meet debt repayment or other debt covenant requirements or comply with the terms of loan agreements.
- Change from credit to cash-on-delivery transactions with suppliers.
- Inability to obtain additional debt or equity financing to stay competitive, including for financing or major research and development, capital expenditures, essential new product development and other essential investments.
- Exposure to liquidity risk as a result of the maturity mismatch of financial assets and liabilities.

Operating

- Management intentions to liquidate the entity or to cease operations.
- Loss of key personnel and management without replacement.
- Significant declines in customer demand.
- Loss of a major market, significant customer(s), franchise, license, or principal supplier(s).
- ~~Labour~~Labour difficulties.
- Shortages of important supplies.
- Emergence of a highly successful competitor.

Other

- Significant or sustained business interruption due to a cyber attack (e.g., denial of access to information or inability to provide service).
- Non-compliance or marginal ability to meet capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions or exchange listing requirements.
- Pending litigation and contingent liabilities arising from matters such as sales warranties, financial guarantees and environmental remediation or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy.
- Changes in law or regulation or government policy expected to adversely affect the entity, including sustainability related matters.
- Substantial decrease in share price.
- Significant exposures to volatile markets, such as exchange rates, commodities (e.g., crude oil prices), equities or interest rates.
- Uninsured or underinsured catastrophes or business interruption losses when they occur (e.g., an earthquake).
- Changes in the environment such as war, civil unrest, outbreaks of disease expected to adversely affect the entity or physical risks related to climate change (e.g., extreme flooding).

- A8. In certain circumstances, the auditor may identify fraud risk factors arising from events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that are relevant to the identification and assessment of the risks of material misstatement due to fraud in accordance with [ISAASA 240](#).¹⁸

Examples:

- Recurring negative cash flows from operations or an inability to generate cash flows from operations may create a threat of bankruptcy, foreclosure, or hostile takeover that may indicate an incentive or pressure to commit fraud.
- Non-compliance or marginal ability to meet debt covenant requirements may threaten the ability to renew borrowings and indicate an incentive or pressure to improve the business performance or to intentionally misstate the [financial statements](#)[financial report](#).

Risk Assessment Procedures and Related Activities (Ref: Para. 11–12)

- A9. [ISAASA 315 \(Revised 2019\)](#) contains requirements and guidance regarding the auditor's responsibility to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, and the identification and assessment of the risks of material misstatement whether due to fraud or error. The requirements and guidance in this [ISAASA](#) refer to, or expand on, what is required by [ISAASA 315 \(Revised 2019\)](#) relevant to identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A10. The risk assessment procedures and related activities assist the auditor in determining whether management's use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit. In particular, when performing risk assessment procedures, such as those required by paragraphs 11–12, the auditor may identify information about certain events or conditions that, when considered individually or collectively, indicate that there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These procedures also allow for more timely discussions with management, including a discussion of management's plans for future actions and resolution of any identified going concern issues when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. The auditor uses professional [judgment](#)[judgement](#) to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this [ISAASA](#).
- A11. [ISAASA 315 \(Revised 2019\)](#)¹⁹ requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Designing and performing risk assessment procedures in an unbiased manner may assist the auditor in identifying potentially contradictory information. This may assist the auditor in maintaining professional [skepticism](#)[scepticism](#) when identifying whether the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern give rise to a risk of management bias in the preparation of the [financial statements](#)[financial report](#) (also see paragraphs A68–A71).
- A12. The following are examples of risk assessment procedures that may be relevant:

Examples:

¹⁸ See [ISA-ASA 240](#), *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Statements Report*, paragraph 24.

¹⁹ See [ISA-ASA 315 \(Revised 2019\)](#), paragraph 13.

The Entity and its Environment

- **Inquiries****Enquiries** of financial planning and analysis personnel related to cash flow, profit and other relevant forecasts to understand the sensitivity analysis related to future earnings included in management's assessment of going concern.
- **Inquiries****Enquiries** of the entity's legal counsel about the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications.
- Review of previous forecasts (retrospective review) to obtain information regarding the effectiveness of management's process for assessing going concern.
- Inspecting the terms of debentures and loan agreements and determining whether any have been breached.

The Applicable Financial Reporting Framework

- Review of disclosures about the significant **judgment****judgements** and assumptions management makes about the future included in the entity's latest available **financial statements****financial report** that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The Entity's System of Internal Control

- Inspecting the minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties.

- A13. The auditor may also use automated tools and techniques when designing and performing risk assessment procedures as required by paragraph 11.

Examples:

The auditor may use automated tools and techniques when:

- Performing analytical procedures to understand the trends of key financial ratios (e.g., the entity's key sources of earnings and their relationship to cash generation) or identify inconsistencies or unusual events.
- Applying predictive models to assess an entity's financial condition or to understand the impact of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (e.g., models for prediction of bankruptcy or insolvency).

Scalability (Ref: Para. 11–12)

- A14. The nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity.

Examples:

The Entity and its Environment

- The nature and extent of the auditor's risk assessment procedures to obtain an understanding of the measures used, internally and externally, to assess the entity's financial performance are likely to be more extensive for entities with a complex structure and business activities. Such entities may also have complex borrowing

arrangements with lenders, suppliers or group entities. In contrast, for smaller or less complex entities whose business activities are simple with few lines of business and with uncomplicated borrowing arrangements, the auditor's risk assessment procedures are likely to be less extensive.

The Applicable Financial Reporting Framework

- When the entity's business activities are affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the related disclosures in the entity's [financial statements](#) [financial report](#) may be straightforward and the applicable financial reporting requirements may be simpler to apply. In such circumstances, the auditor's procedures to obtain an understanding of the basis for management's intended use of the going concern basis of accounting are likely to be less extensive.

The Entity's System of Internal Control

- The nature and extent of the auditor's risk assessment procedures may also depend on the extent to which certain matters apply in the circumstances. For example, those charged with governance in smaller or less complex entities may not include independent or outside members who exercise oversight over management's assessment of the entity's ability to continue as a going concern. In addition, the entity's risk assessment process may be undertaken through the direct involvement of the owner-manager.

A15. The following considerations may be relevant for smaller or less complex entities:

- The size of an entity may affect its ability to withstand adverse conditions. Smaller entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.
- Conditions of particular relevance to smaller entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

The Entity and Its Environment (Ref: Para. 12(a), 12(c))

A16. The entity's business model, objectives, strategies and related business risks may give rise to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some business risks may be so significant that they have implications for the conclusion as to the appropriateness of the entity's use of the going concern basis of accounting and whether a material uncertainty exists.

Examples:

- Industry developments, such as the lack of access to appropriate personnel or expertise to deal with the changes in the industry or loss of significant customers or market share.
- New products and services that may lead to increased product liability.
- Expansion of the entity's business, and demand that has not been accurately estimated.

- Regulatory requirements resulting in increased legal exposure or financial impacts or restrictions on business activities, including those arising from sustainability related matters.
- Current and prospective financing requirements, such as loss of financing due to the entity's inability to meet certain predetermined revenue metrics.
- Incentives and pressures on management, which may result in management bias, and therefore affect the reasonableness of assumptions used in management's assessment of the entity's ability to continue as a going concern.

- A17. Management will likely use information available about the future as well as historical information from internal and external sources when identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Obtaining an understanding of the measures used, internally or externally, may highlight unexpected results or trends that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

- Internal performance measures may indicate an unusual deterioration in sales volume when compared to that of other entities in the same industry that may be indicative of a significant decline in market share or loss of customers.
- External information sources, such as pricing data, comparable data about competitors (benchmarking data) or macro-economic data may indicate competitive, industry, economic and other factors that are used in the entity's forecasts, future cash flow and budgeting processes.
- The analysis of the entity's financial performance by external parties, such as analysts, credit agencies or institutional investors, may highlight inconsistencies with management's performance measures.

The Applicable Financial Reporting Framework (Ref: Para. 12(d), 12(e))

- A18. Obtaining an understanding of the requirements of the applicable financial reporting framework provides the auditor with information about the recognition, measurement and presentation criteria in the applicable financial reporting framework, and how they apply in the preparation of the ~~financial statements~~[financial report](#) under the going concern basis of accounting. The applicable financial reporting framework may also include disclosure requirements about the significant ~~judgment~~[judgements](#) and assumptions management makes in concluding whether or not there is a material uncertainty related to going concern. Law or regulation may also include disclosure and other detailed requirements when preparing ~~financial statements~~[a financial report](#) on the going concern basis of accounting.
- A19. The nature, extent, timing and frequency of management's assessment of the entity's ability to continue as a going concern may vary from entity to entity. In some entities, management may make assessments of the entity's ability to continue as a going concern more frequently as part of ongoing monitoring, while in other entities it may be made on an annual basis. If such an assessment has not yet been performed, the auditor may obtain an understanding of the basis for the intended use of the going concern basis of accounting through discussion with management and ~~inquire~~[enquire](#) of management whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

Considerations Specific to Public Sector Entities (Ref: Para. 12(d), 12(e))

A20. In some jurisdictions the applicable financial reporting framework may include specific guidance for public sector entities in relation to going concern that is relevant to management's assessment of the entity's ability to continue as a going concern. For example, such guidance may ~~recognize~~recognise the relevance of considering the ongoing nature of government programs to certain public sector entities and the presumption of continuation of public services and associated government funding to deliver these programs.

The Entity's System of Internal Control (Ref: Para. 12(f), 12(h), 12(i))

A21. Obtaining an understanding of the oversight by those charged with governance may be particularly important when the assessment of the entity's ability to continue as a going concern:

- Requires significant ~~judgment~~judgement by management to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
- Is complex to make, for example, because of the use of multiple data sources or assumptions with complex interrelationships.

A22. The effectiveness of management's assessment of the entity's ability to continue as a going concern may be influenced by the oversight exercised by those charged with governance. The auditor may obtain an understanding of whether those charged with governance:

- Have the skills or knowledge to understand the appropriateness of the method used by management in assessing the entity's ability to continue as a going concern.
- Have the skills or knowledge to understand whether management's assessment of the entity's ability to continue as a going concern has been made in accordance with the requirements of the applicable financial reporting framework.
- Are independent from management, have the information required to evaluate on a timely basis how management made the assessment of the entity's ability to continue as a going concern, and the authority to call into question management's actions when those actions appear to be inadequate or inappropriate.
- Oversee management's process for making the assessment of the entity's ability to continue as a going concern.

A23. Aspects that may be relevant to the auditor's understanding of how management determines the relevant method, significant assumptions and data may include:

- The basis for management's selection of the method, assumptions and data used in assessing the entity's ability to continue as a going concern; and
- If alternative methods, assumptions or data were considered by management, including:
 - How management determines that the assumptions are relevant and complete.
 - How management determines the relevance, accuracy and completeness of the data used in the assessment.

A24. If management has changed its method for assessing the entity's ability to continue as a going concern from the prior period, considerations may include whether the new method is, for example, more appropriate, is itself a response to changes in the environment or circumstances affecting the entity, or to changes in the requirements of the applicable financial reporting

framework or regulatory environment, or whether management has another valid reason. If management has not changed its method for assessing the entity's ability to continue as a going concern, considerations may include whether the continued use of the previous method, significant assumptions and data is appropriate in view of the current environment or circumstances.

- A25. The disclosures related to the entity's ability to continue as a going concern may contain information that is obtained from other supporting records and information from outside of the general and subsidiary ledgers (e.g., information produced by an entity's risk management system about hedging strategies or sensitivity analysis derived from financial models that demonstrate management has considered alternative assumptions). As part of obtaining an understanding of the entity's system of internal control, the auditor may consider how management determines the appropriateness of such information used to develop the disclosures related to the entity's ability to continue as a going concern.

Remaining Alert Throughout the Audit for Information about Events or Conditions (Ref: Para. 13)

- A26. As explained in [ISA/ASA 315 \(Revised 2019\)](#),²⁰ obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control is a dynamic and iterative process of gathering, updating and [analyzing/analysing](#) information and continues throughout the audit. Therefore, the auditor's determination of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern may change as new information is obtained.

Example:

The auditor may identify a risk of a material misstatement associated with the valuation assertion for a lender of medium-term real estate backed loans because of a fall in real estate market values. The same event in combination with a severe economic downturn may have a longer-term consequence and a greater impact on the assessment of the risk of material misstatement that may also indicate an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

- A27. [ISA/ASA 315 \(Revised 2019\)](#) requires the auditor to revise the auditor's identification or assessment of the risks of material misstatement if the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification or assessment of risk.²¹ If events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are identified after the auditor's risk identification or assessments are made, in addition to performing the procedures in this [ISA/ASA](#), the auditor's identification or assessment of the risks of material misstatement may need to be revised.
- A28. The auditor may also become aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern from:
- External information sources (e.g., publicly available information of the entity's financial performance by external parties, such as information about short-selling of shares, industry or macro-economic forward-looking information such as economic or earnings forecasts).
 - Other engagements performed for the entity (e.g., an agreed-upon procedures engagement).

²⁰ See [ISA/ASA 315 \(Revised 2019\)](#), paragraph A48.

²¹ See [ISA/ASA 315 \(Revised 2019\)](#), paragraph 37.

- The auditor's consideration of the other information in accordance with [ISAASA 720 \(Revised\)](#).²²

Considerations Specific to Public Sector Entities (Ref: Para. 13)

A29. In the public sector some entities may have broader responsibilities to publicly report beyond the preparation of the [financial statements](#)[financial report](#) which may provide the auditor information about events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. For example, in certain jurisdictions public sector entities may be required to report on long-term fiscal sustainability of a public sector entity's finances and the auditor may have additional responsibilities established by law or regulation with respect to such information. In such cases, the auditor may become aware of long-term fiscal sustainability concerns that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Events or Conditions not Previously Identified or Disclosed by Management (Ref: Para. 14)

A30. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management failed to identify or disclose to the auditor, this may constitute a deficiency in internal control. [ISAASA 265](#)²³ deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of [financial statements](#)[a financial report](#).

A31. When management has intentionally failed to identify or disclose to the auditor events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this may raise doubts about their integrity and honesty, such as when the auditor suspects an intention to mislead. [ISAASA 240](#) provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.²⁴

Control Deficiencies Within the Entity's System of Internal Control (Ref: Para. 15)

A32. When the auditor identifies one or more control deficiencies with respect to management's assessment of going concern, [ISAASA 265](#) requires the auditor to determine whether, individually or in combination, the deficiencies in internal control constitute a significant deficiency. Matters the auditor may consider in determining whether a significant deficiency in internal control exists related to management's assessment of going concern may include:

- Absence of a process established by management to identify, assess and address events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Ineffective oversight by those charged with governance over management's assessment of the entity's ability to continue as a going concern.
- Evidence that management has failed to identify or disclose events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating Management's Assessment

Requesting Management to Make an Assessment (Ref: Para. 16)

A33. When management is unwilling to make an assessment of the entity's ability to continue as a going concern, even when the financial reporting framework does not include an explicit

²² See [ISA-ASA 720 \(Revised\)](#), *The Auditor's Responsibilities Relating to Other Information*.

²³ See [ISA-ASA 265](#), *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.

²⁴ See [ISA-ASA 240](#), paragraphs 26-28.

requirement to do so, the auditor may consider management's lack of assessment as a limitation on the audit evidence the auditor has obtained. In accordance with [ISA/ASA 705 \(Revised\)](#), when the possible effects on the [financial statements/financial report](#) of the inability to obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

Management's Assessment and Supporting Analysis and the Auditor's Evaluation (Ref: Para. 17)

- A34. Management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's evaluation whether:
- Management's use of the going concern basis of accounting in the preparation of the [financial statements/financial report](#) is appropriate; and
 - A material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A35. It is not the auditor's responsibility to rectify a lack of analysis by management. In some circumstances, however, a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances. For example, when the entity has profitable operations and there are no liquidity concerns, and the entity's risk assessment process has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the method, assumptions and data used by management to make its assessment may be less extensive. However, in situations when, in the auditor's professional [judgment/judgement](#), management has not performed an appropriate assessment based on the nature and circumstances of the entity, this may be an indicator of a deficiency in internal control in accordance with [ISA/ASA 265](#).

Considerations Specific to Public Sector Entities (Ref: Para. 17)

- A36. For certain public sector entities that are able to draw upon government assistance, management's assessment of going concern may not always be based on solvency or liquidity tests and other factors may be more relevant when the auditor evaluates the entity's ability to continue as a going concern. For example, the absence of a change in government policy in the assessment period may be more relevant when determining whether continued funding is likely to be secured to enable the entity to [realize/realise](#) its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.

Obtaining Audit Evidence in an Unbiased Manner (Ref: Para. 18)

- A37. Obtaining audit evidence in an unbiased manner may involve obtaining evidence from multiple sources within and outside the entity. However, the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence.

Examples:

Contradictory information may include:

- The results of the auditor's procedures to evaluate the assumptions used by management in a cash flow forecast highlight inconsistencies with assumptions used for other purposes, such as forecasts used to evaluate the recoverability of deferred tax assets or impairment of assets.
- Credit history information from external sources may indicate financial difficulties for significant customer(s) that has not been considered by management when assessing the recoverability of account receivable balances.

- The outcome of the analysis performed for other account balances is indicative of deteriorating financial performance (e.g., increased inventory obsolescence, delays in payments from customers, changes in customer base, increased borrowings or delays in payments to creditors) that is not adequately considered by management when making its assessment of going concern.

Corroborative information may include:

- Publicly available information from external sources, such as analysts' expectations or industry data that is consistent with forecasts and assumptions used by management in its assessment of going concern.

Method, Significant Assumptions and Data Used in Management's Assessment (Ref: Para. 19)

- A38. The method, significant assumptions and data used by management in its assessment of the entity's ability to continue as a going concern support the judgment made by management about the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists.

Method (Ref: Para. 19(a))

- A39. "Method" refers to the approach taken by management to assess the entity's ability to continue as a going concern. A method may be based on using qualitative or quantitative information and involves applying assumptions and data, and taking into account a set of relationships between them.

Examples:

- When the entity's business activities are more complex or susceptible to a greater degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management's method may require input from multiple sources of historical and forward-looking data. The method may also include significant judgment and assumptions with multiple interrelationships between them or from sources of data external to the entity. Supporting analysis may include the effects of adverse scenarios or may employ sensitivity and scenario analysis to consider alternative outcomes related to the entity's current and expected profitability, its liquidity sources, financial obligations and the funds necessary to maintain the entity's operations for the foreseeable future. Supporting analysis may also reflect the interdependencies between risk variables that impact liquidity, market and credit risks.
- When the entity's business activities are simple or the business is affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management may determine that the most appropriate method is to prepare a simple cash flow forecast and budget or other equivalent analysis covering the appropriate assessment period.

- A40. Matters that may be relevant to the auditor's evaluation of whether the method selected is appropriate in the context of the applicable financial reporting framework and, if applicable, the appropriateness of changes from the prior period may include:

- Whether management's rationale for the method selected is appropriate;
- When management has determined that different methods result in significantly different outcomes, how management has investigated the reasons for these differences; and

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- Whether the changes are based on new circumstances or new information. When this is not the case, the changes may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

A41. Matters that may be relevant to the auditor’s evaluation of whether calculations are mathematically accurate may include whether management has provided adequate explanations for advanced or complex calculations or processing steps (e.g., multiple formulas or macros).

Significant Assumptions (Ref: Para. 19(b))

A42. Considerations for the auditor’s evaluation regarding the significant assumptions on which management’s assessment is based may include:

- Management’s rationale for the selection of the assumptions;
- Whether the assumptions used are consistent with those used in other areas of the entity’s business activities, for example, business prospects, assumptions in strategy documents and assumptions used in making accounting estimates;
- Whether the assumptions used by management in the prior period were reasonable, for example, by comparing the prior year assumptions to the actual outcomes in the current year.
- Whether management considered alternative assumptions to determine the effect of changes in the assumptions on the data used in making the assessment, for example, performing a sensitivity analysis including ‘pessimistic’ and ‘optimistic’ scenarios; and
- Whether a change from prior periods in selecting an assumption is based on new circumstances or new information. When this is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

Example:

The use of automated tools and techniques may assist the auditor when performing sensitivity analysis of management’s assessment of going concern to understand how outcomes are affected by changes in input variables such as discount or growth rates.

Data (Ref: Para. 19(c))

A43. Matters that may be relevant to the auditor’s evaluation of whether the data is relevant and reliable may include, for example, management’s rationale for selection of the data, how management evaluated whether the data is appropriate, the source of the data, or whether and how the integrity of the data has been maintained through all stages of information processing.

A44. When using information produced by the entity, [ISA-ASA 500](#)²⁵ requires the auditor to evaluate whether the information is sufficiently reliable for the auditor’s purposes, including as necessary in the circumstances, to obtain audit evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the auditor’s purposes.

²⁵ See [ISA-ASA 500](#), *Audit Evidence*, paragraph 9.

A45. Considerations for the auditor's evaluation of whether the data is appropriate in the context of the applicable financial reporting framework, and, if applicable, the appropriateness of changes from the prior period, may include:

- Whether the data used is consistent with data used elsewhere by management in the preparation of the [financial statements](#)[financial report](#);
- Whether modifications made to the data are appropriate and supported by management's rationale; and
- Whether a change from prior periods in the sources or items of data selected is based on new circumstances or new information. When this is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

Scalability (Ref: Para. 19)

A46. The nature and extent of the auditor's procedures may vary depending on the method, significant assumptions and data used by management to assess the entity's ability to continue as a going concern as well as the nature and circumstances of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

Method

- The greater the complexity of the method used by management to assess the entity's ability to continue as a going concern, the more likely it is that management may need to apply [specializespecialised](#) skills or knowledge in making its assessment. Also, the auditor's procedures to evaluate management's method will likely be more extensive. In such circumstances it may also be appropriate to involve members of the engagement team with [specializespecialised](#) skills or knowledge to assist the auditor in applying the audit procedures or evaluating the results of those procedures.
- In contrast, the auditor's procedures may be less extensive when management's method is simpler, such as when the method used includes a simple budget, sales or cash flow forecast and an analysis of the entity's borrowing facilities and requirements.

Significant Assumptions

- When the assumptions used by management inherently have a high level of subjectivity (e.g., assumptions based on internally developed plans for future restructuring of the entity's business units), the auditor's procedures are likely to be more extensive and may include consideration of forward-looking assumptions.
- In contrast, when management uses assumptions commonly used by other marketplace participants, the auditor's procedures to evaluate the assumptions used by management may be less extensive and may include the auditor comparing the assumptions to those obtained directly from the market or a third party.

Data

- When management's assessment of going concern includes large volumes of data from multiple sources, there may be inherent complexity in evaluating the reliability of the data used and the auditor's procedures may employ automated tools and techniques to evaluate the reliability of the data used by management.

- In contrast, when the source of the data is derived from a reputable external information source (e.g., from a central bank or statistical reports from reputable, authoritative sources) the auditor's procedures to consider the reliability of the information may not be as extensive.

Period Beyond Management's Assessment (Ref: Para. 20)

- A47. The auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management's use of the going concern basis of accounting in the preparation of the [financial statements/financial report](#). The degree of uncertainty associated with the outcome of an event or condition increases when the event or condition is further into the future.
- A48. Other than [inquiry/enquiry](#) of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the period assessed by management, which, as required by paragraph 21, would be at least twelve months from the date of approval of the [financial statements/financial report](#).
- A49. When events or conditions have been identified in the period beyond management's assessment, depending on the nature and circumstances of such events or conditions, the auditor may consider requesting management to revise the period of assessment for example, by extending it beyond twelve months from the date of approval of the [financial statements/financial report](#).

Requesting Management to Extend Its Assessment (Ref: Para. 21)

- A50. Most financial reporting frameworks requiring an explicit management assessment about going concern specify the minimum period for which management is required to take into account all available information.²⁶ Paragraph 21 requires the auditor to request management to extend its assessment period if that period covers less than twelve months from the date of the approval of the [financial statements/financial report](#). This requirement also applies when the applicable financial reporting framework does not specify the period to be covered by management's assessment of the entity's ability to continue as a going concern.
- A51. The date of approval of the [financial statements/financial report](#) for purposes of the [ISA/ASAs](#) is the date on which those with the [recognize/recognised](#) authority determine that all the statements that comprise the [financial statements/financial report](#), including the related notes, have been prepared and that those with the [recognize/recognised](#) authority have asserted that they have taken responsibility for ~~those the~~ [financial statements/financial report](#).²⁷ The applicable financial reporting framework may use other terms to describe the "date of approval of the [financial statements/financial report](#)."²⁸
- A52. The auditor may also wish to discuss with management at an early stage of the audit the expected date of approval of the [financial statements/financial report](#) to assist the auditor in complying with the requirement in paragraph 21. To avoid misunderstandings, the auditor may also include in the engagement letter reference to the expectation that management's

²⁶ See, ~~For~~ for example, [IAS/AASB 101](#) defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period and [IPSAS 1](#) defines this as a period that should be at least, but is not limited to, twelve months from the approval of the financial statements.

²⁷ See [ISA-ASA 560](#), paragraph 5(b).

²⁸ See, ~~For~~ for example, [IAS/AASB 110, Events After the Reporting Period](#) uses the term "date the financial statements are [authorized/authorised](#) for issue" and explains that such date will vary depending upon the management structure, statutory requirements and procedures followed in preparing and [finalizing-finalising](#) the financial statements.

assessment of the entity's ability to continue as a going concern covers at least twelve months from the date of approval of the [financial statements](#)[financial report](#).²⁹

- A53. Certain entities, for example public sector entities, that are dependent on continued government funding will ordinarily not have certainty of funding beyond the annual budget cycle of governments. Management will therefore need to make assumptions about securing continued funding so that management's assessment covers a period of at least twelve months from the date of approval of the [financial statements](#)[financial report](#). In such circumstances the absence of information about a change of government policy may be relevant to the auditor's evaluation of the appropriateness of these assumptions.

Management Unwilling to Extend its Assessment (Ref: Para. 22–23)

- A54. An unwillingness by management to extend its assessment may be a limitation on the audit evidence the auditor is seeking to obtain about the appropriateness of management's use of the going concern basis of accounting in the preparation of the [financial statements](#)[financial report](#). Accordingly, the auditor is required to discuss the matter with management, and where appropriate, with those charged with governance, and [inquire](#)[enquire](#) as to the reasons for management's decision.
- A55. Where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the [financial statements](#)[financial report](#). For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen.
- A56. The level of detail and the formality of management's process to extend its assessment of the entity's ability to continue as a going concern to at least twelve months from the date of approval of the [financial statements](#)[financial report](#) may vary from entity to entity. In some entities, management may prepare an assessment of the entity's ability to continue as a going concern, supported by detailed analysis, more frequently as part of its ongoing monitoring. In other cases, management may update its assessment from the date of the [financial statements](#)[financial report](#) to the date of approval of the [financial statements](#)[financial report](#) through less formal means. As explained in paragraph A35 a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances.
- A57. If the auditor is unable to obtain sufficient appropriate audit evidence that supports the appropriateness of management's use of the going concern basis of accounting in the preparation of the [financial statements](#)[financial report](#), as a result of management's decision not to extend its assessment, the auditor may conclude that it is appropriate to:
- Revise the assessment of the risks of material misstatement and modify planned audit procedures in accordance with [ISA](#)[ASA](#) 315 ~~(Revised 2019)~~.³⁰ For example, if management's decision is unreasonable in the circumstances, this may indicate a fraud risk factor that requires evaluation in accordance with [ISA](#)[ASA](#) 240.
 - Consider management's unwillingness to extend its assessment as a limitation on the audit evidence the auditor has obtained. In accordance with [ISA](#)[ASA](#) 705 ~~(Revised)~~, when the possible effects on the [financial statements](#)[financial report](#) of the inability to

²⁹ See [ISA](#)[ASA](#) 210, *Agreeing the Terms of Audit Engagements*, paragraph A24.

³⁰ See [ISA](#)[ASA](#) 315 ~~(Revised 2019)~~, paragraph 37.

obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

Information Used in Management's Assessment (Ref: Para. 25)

A58. Paragraphs 20, A27, A30–A31 and A66 describe circumstances that are relevant when it may be necessary for the auditor to request management to revise its assessment.

Evaluating Management's Plans for Future Actions (Ref: Para. 26–28)

A59. Management's plans for future actions may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Such plans for future actions, may include plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.

Examples:

- The risk of an entity being unable to make its normal debt repayments may be counterbalanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital.
- The loss of a principal supplier may be mitigated by management's actions to secure a suitable alternative source of supply.

A60. The nature and extent of audit evidence to be obtained about management's intent and ability is a matter of professional ~~judgment~~judgement. The auditor's procedures to evaluate management's plans for future actions may include:

- ~~Inquiry~~Enquiry of management about its reasons for a particular course of action.
- Evaluating responses to ~~inquiries~~enquiries of management about the ability to carry out a particular course of action given the entity's economic circumstances, including the implications of its existing commitments and legal, regulatory or contractual restrictions that could affect the feasibility of management's actions.
- Evaluating responses to ~~inquiries~~enquiries of management or those charged with governance with audit evidence from sources within or outside the entity.
- Inspecting information about management's history of carrying out its stated intentions.
- Inspecting written plans and other documentation, including, when applicable, formally approved budgets, ~~authorization~~authorisations or minutes.
- Inspecting records and documents for support of any planned disposals of assets.
- Inspecting reports of regulatory actions.
- Inspecting correspondence with lenders and finance providers that could affect the feasibility of management's plans to carry out further actions.
- Evaluating the consistency of significant assumptions in management's plans with those used in other accounting estimates, or with related assumptions used in other areas of the entity's business activities,

- Reviewing events occurring subsequent to the date of the [financial statements](#)[financial report](#) and up to the date of the auditor's report to identify those that either mitigate or otherwise affect the entity's ability to continue as a going concern.
- Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with third parties or related parties, including the entity's owner-manager and evaluating the financial ability of such parties to provide additional funds.
- When prospective financial information is relevant, performing analytical procedures by comparing:
 - The prospective financial information for recent prior periods with historical results; and
 - The prospective financial information for the current period with results achieved to date.
- When management's plans for future actions are based on information from internal sources, comparing to information from reputable independent sources external to the entity.

A61. In certain circumstances the auditor may consider requesting an external confirmation³¹ of the existence and terms of borrowing facilities between the entity and external finance providers.

Examples:

Requesting an external confirmation may be appropriate when:

- Borrowing facilities are being renewed in the assessment period.
- There are limited financial resources available to the entity beyond those required to continue its operations.
- The entity is dependent on borrowing facilities shortly due for renewal, for example within twelve months from the date of approval of the [financial statements](#)[financial report](#).
- There is an indication that previous renewal of borrowing facilities was agreed with difficulty, or the lender has imposed additional conditions as a prerequisite for continued financing.
- There is a significant deterioration in projected cash flows.
- The value of assets granted as security for borrowing is declining.
- The entity has breached the terms of borrowing covenants, or there are indications of potential breaches.

A62. Some finance providers may be reluctant to confirm in writing to an entity or their auditor that borrowing facilities will be renewed. When management's plans for future actions are based on arrangements to maintain or secure borrowing facilities from external finance providers, the lack of an external confirmation may be a limitation on the audit evidence the auditor is seeking to obtain. In such circumstances, the auditor may consider making [inquiries](#)[enquiries](#) of external finance providers with respect to borrowing facilities, including information about

³¹ See [ISA-ASA 330](#), *The Auditor's Responses to Assessed Risks*, paragraph 19.

the rationale for their reluctance to confirm in writing that borrowing facilities will be renewed and whether such rationale is specific to the circumstances of the entity. The auditor may also need to ~~inquire~~[enquire](#) of management as to whether there are alternative strategies or sources of financing that may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If alternative strategies or sources of financing are not available, then a material uncertainty may exist.

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

Intent (Ref: Para. 28)

A63. Where management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such financial support is important to an entity's ability to continue as a going concern, the auditor may need to consider requesting written confirmation from such parties to obtain sufficient appropriate audit evidence about their intent to provide the necessary financial support. Such written confirmation may be in paper form, or by electronic or other medium³² and may include:

- Terms and conditions of the commitment from those parties.
- When applicable, the legality and enforceability of the commitments.
- The period or the specific date to which the parties intend to provide the financial support.

Ability (Ref: Para. 28)

A64. The auditor's procedures to obtain sufficient appropriate audit evidence about the ability of the third parties or related parties, including the entity's owner-manager, to provide the financial support may include:

- ~~Inquiries~~[Enquiries](#) about the business rationale for the financial support and the basis on which such support is established (e.g., entity's business plans or other forecasts).
- ~~Inquiries~~[Enquiries](#) about the ability to provide the financial support in a timely manner for the entity to meet its obligations.
- ~~Inquiries~~[Enquiries](#) of others, such as external or internal legal counsel, or the auditor of the ~~financial statements~~[financial report](#) of a related party in a group audit engagement who may have relevant knowledge and information about the ability of third parties or related parties, including the entity's owner-manager, to provide the financial support.
- Inspecting the records of past financial support provided by the parties when such support was needed.
- Inspecting the latest available audited ~~financial statements~~[financial report](#) or other supporting information to obtain audit evidence about the financial position of the parties to provide the necessary financial support to the entity.

Scalability (Ref: Para. 28)

A65. Financial support by an entity's owner-manager is often important to the ability of smaller or less complex entities to continue as a going concern. Where a smaller or less complex entity is

³² See ~~ISA-ASA 505~~[External Confirmations](#), paragraph 6(a).

largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn.

Example:

The continuance of a smaller or less complex entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favour of banks or other creditors, or the owner-manager supporting a loan for the entity by providing a guarantee with the owner-manager's personal assets as collateral. In such circumstances, the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager's loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor evaluates the owner-manager's ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager's intention or understanding.

Information Becomes Known After the Date of the Auditor's Report (Ref: Para. 29)

A66. [ISA/ASA 560](#) requires the auditor to respond appropriately to facts that become known to the auditor after the date of the auditor's report but before the date the ~~financial statements~~~~financial report~~ ~~are~~~~is~~ issued, that, had they been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report.³³ For example, this may be the case when the auditor is aware of a significant delay between the date of the auditor's report and the date the ~~financial statements~~~~financial report~~ will be issued, and the auditor determines that such delay is related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating the Audit Evidence Obtained and Concluding (Ref: Para. 30–31)

A67. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~~~financial report~~, in accordance with [ISA/ASA 705 \(Revised\)](#) the auditor is required to consider the implications for the audit.

Indicators of Possible Management Bias (Ref: Para. 30(a))

A68. The susceptibility to management bias, whether intentional or unintentional, may increase with the degree of estimation uncertainty, complexity and subjectivity in management's assessment of the entity's ability to continue as a going concern.

A69. When the auditor identifies indicators of possible management bias, the auditor may need a further discussion with management and may need to reconsider whether sufficient appropriate audit evidence has been obtained that the method, assumptions and data used by management to make its assessment of the entity's ability to continue as a going concern were appropriate.

Examples:

- Management may tend to ignore observable marketplace assumptions or data and instead use their own internally-developed assumptions or select data that yields a more ~~favor~~~~favour~~able outcome.
- There may be changes in the method, assumptions or data from period to period without a clear and appropriate reason for doing so. In contrast, management may not have made changes in the method, assumptions or data from period to period despite

³³ See [ISA/ASA 560](#), paragraphs 10-13.

significant changes in economic conditions or when other circumstances indicate that a change may be necessary.

- There may be significant influence of an owner-manager or a related party over the determination of the source of the information used in management's assessment of the entity's ability to continue as a going concern.
- Management may be overly optimistic or fail to consider trends and patterns in historical information when evaluating future outcomes about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A70. When such indicators are identified, this may also affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate. The auditor may also need to consider the implications for other aspects of the audit,³⁴ including the need to further question the appropriateness of management's ~~judgment~~**judgements** in making its assessment of the entity's ability to continue as a going concern. Further, indicators of possible management bias may affect the auditor's conclusion as to whether the ~~financial statements~~**financial report** as a whole ~~are is~~ free from material misstatement, as discussed in [ISA/ASA 700 \(Revised\)](#).³⁵

A71. Indicators of possible management bias may also be fraud risk factors and may cause the auditor to reassess whether the auditor's risk assessment, in particular the assessment of the risks of material misstatement due to fraud, and related responses remain appropriate.³⁶ When there is intention to mislead, management bias is fraudulent in nature and the auditor may need to consider whether the bias may represent a material misstatement due to fraud.

Concluding on Whether a Material Uncertainty Exists (Ref: Para. 31)

A72. When events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's conclusion required by paragraph 31 is dependent on the auditor's evaluation of management's plans for future actions in accordance with paragraphs 26–28. For example, a material uncertainty exists when, based on the audit evidence obtained, the auditor concludes that:

- The outcome of these plans is not likely to be sufficient to mitigate the effects of the identified events or conditions.
- Management's plans may not be feasible in the circumstances.
- Management may not have the intent or ability to carry out specific courses of action.
- Third parties or related parties, including the entity's owner-manager, may not have the intent or ability to provide necessary financial support.

When a material uncertainty exists, the auditor is required to determine whether the ~~financial statements~~**financial report** provides the disclosures required by paragraph 33.

[Aus A72A72.1](#) Refer to [Aus] Appendix 2 for a diagrammatic illustration of the auditor's decision-making process for going concern.

³⁴ See [ISA/ASA 540 \(Revised\)](#), *Auditing Accounting Estimates and Related Disclosures*, paragraphs A133-A136.

³⁵ See [ISA/ASA 700 \(Revised\)](#), *Forming an Opinion and Reporting on a Financial ~~Statements~~Report*, paragraph 11.

³⁶ See [ISA/ASA 240](#), paragraph 25.

Adequacy of Disclosures

Adequacy of Disclosures When No Material Uncertainty Exists (Ref: Para. 32, 34(b)(i))

A73. Some financial reporting frameworks may address disclosures about:

- Principal events or conditions;
- Management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations;
- Management's plans that mitigate the effect of these events or conditions;
- The assumptions management makes about the future, and other sources of estimation uncertainty; or
- Significant ~~judgment~~**judgements** made by management as part of its assessment of the entity's ability to continue as a going concern.

Example:

In assessing the entity's ability to continue as a going concern, management considers all relevant information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any remedial actions to mitigate the effects of those events or conditions, management may conclude that there is no material uncertainty. For example, in response to declining customer demand and uncertainties faced in the broader economic environment, management may have started executing a turnaround strategy that is demonstrating some evidence of success (e.g., reducing costs, optimising cash flows and preserving liquidity, to support the entity's ability to ~~realize~~**realise** its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future). However, reaching the conclusion that there is no material uncertainty involved significant ~~judgment~~**judgement** by management in estimating the impact and the timing of the future cash flows.

- A74. When the ~~financial statements~~**financial report** ~~are~~**is** prepared in accordance with a fair presentation framework, the auditor's evaluation as to whether the ~~financial statements~~**financial report** achieves fair presentation includes the consideration of the overall presentation, structure and content of the ~~financial statements~~**financial report**, and whether the ~~financial statements~~**financial report**, including the related notes, represents the underlying transactions and events in a manner that achieves fair presentation.³⁷
- A75. When significant ~~judgment~~**judgements** are made by management in concluding that there is no material uncertainty, in applying paragraph 32 the auditor may determine, depending on the facts and circumstances, that additional disclosures are necessary for the ~~financial statements~~**financial report** to achieve fair presentation (for fair presentation frameworks) or for the ~~financial statements~~**financial report** not to be misleading (for compliance frameworks), as appropriate. Additional disclosures may be necessary, for example, when no disclosures are explicitly required by the applicable financial reporting framework regarding these circumstances.
- A76. In accordance with ~~ISA~~**ASA** 705 ~~(Revised)~~,³⁸ the auditor is required to express a modified opinion in the auditor's report when the ~~financial statements~~**financial report** ~~does~~ not provide

³⁷ See ~~ISA~~**ASA** 700 ~~(Revised)~~, paragraph 14.

³⁸ See ~~ISA~~**ASA** 705 ~~(Revised)~~, paragraphs 6 and A7.

the additional disclosures necessary to achieve fair presentation beyond disclosures specifically required by the applicable financial reporting framework.

Adequacy of Disclosure When a Material Uncertainty Exists (Ref: Para. 33, 35(a))

A77. Paragraph 33 requires the auditor to determine whether the financial statement disclosures address the matters set forth in that paragraph. This determination is in addition to the auditor determining whether disclosures about a material uncertainty, required by the applicable financial reporting framework, are adequate. Disclosures required by some financial reporting frameworks that are in addition to matters set forth in paragraph 33 may include disclosures about:

- Management's evaluation of the significance of the events or conditions relating to the entity's ability to meet its obligations and management's plans for future actions to address these events or conditions; or
- Significant ~~judgment~~judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

Some financial reporting frameworks may provide additional guidance regarding management's consideration of disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of their occurrence.

Implications for the Auditor's Report (Ref: Para. 34–38)

A78. ~~The~~ Appendix 1 to this ~~ISA~~ASA provides illustrations of the statements that are required to be included in the auditor's report on the ~~financial statements~~financial report when ~~IFRS~~AASB Accounting Standards is the applicable financial reporting framework. If an applicable financial reporting framework other than ~~IFRS~~AASB Accounting Standards is used, the illustrative statements presented in ~~the~~ Appendix 1 to this ~~ISA~~ASA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

A79. The statements required by paragraphs 34–36 represent the minimum information that is to be presented in the auditor's report in each of the circumstances described. The auditor may provide additional information to supplement the required statements, for example reference to where the respective responsibilities of those with responsibility for the ~~financial statements~~financial report and of the auditor in relation to going concern are described. The Appendix of ~~ISA~~ASA 700 (~~Revised~~)³⁹ includes illustrative wording to be included in the auditor's report in relation to going concern to describe the respective responsibilities of those responsible for the ~~financial statements~~financial report and of the auditor.

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists (Ref: Para. 34)

A80. The auditor may provide additional information in the auditor's report that would supplement the statements required by paragraph 34(a) (e.g., to provide a reference to the relevant accounting policies or the notes in the ~~financial statements~~financial report).

A81. Illustration 1 of ~~the~~ Appendix 1 to this ~~ISA~~ASA is an example of an auditor's report of an entity other than a listed entity when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting and has concluded that no material uncertainty exists.

A82. For an audit of ~~financial statements~~a financial report of an entity other than a listed entity, law or regulation may require the auditor to provide the information required by paragraph 34(b). The auditor also may decide that providing the information required by paragraph 34(b) for an

³⁹ See ~~ISA~~ASA 700 (~~Revised~~), paragraphs 34 and 39.

entity other than a listed entity would be appropriate to enhance transparency for intended users of ~~financial statements~~ financial report in the auditor's report. For example, the auditor may decide to do so for other entities, including those that may be of significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business. Such entities may include financial institutions (such as banks, insurance companies, and ~~pensions~~ superannuation funds), and other entities such as charities.

- A83. There may be circumstances when, in the auditor's professional ~~judgment~~ judgement, the disclosures of management's ~~judgment~~ judgements relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are fundamental to the intended users' understanding of the ~~financial statements~~ financial report. Also, there may be circumstances when the auditor, in addition to including a reference to the disclosure(s) in the ~~financial statements~~ financial report, would consider it appropriate to draw attention to key aspects of them. In such circumstances, the information required by paragraph 34(b) can be supplemented to include aspects of the identified events or conditions disclosed in the ~~financial statements~~ financial report, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors or to draw attention to aspects of the disclosures of management's ~~judgment~~ judgements.

Description of How the Auditor Evaluated Management's Assessment of Going Concern (Ref: Para. 34(b)(ii), 35(b))

- A84. The auditor may describe one or more of the following elements when providing the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- A brief overview of procedures performed;
 - An indication of the outcome of the auditor's procedures;
 - Aspects of the auditor's response or approach that were most relevant to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including the evaluation of management's plans for future actions; or
 - Key observations with respect to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A85. The amount of detail to be provided in the auditor's report to describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern is a matter of professional ~~judgment~~ judgement. When considering the amount of detail to provide in the auditor's report, the auditor may consider the following factors:
- The nature and extent of audit procedures performed to evaluate management's assessment to conclude that no material uncertainty exists.
 - The level of subjectivity, complexity and estimation uncertainty involved in management's assessment.
- A86. In order for intended users to understand the significance of the description in the context of the audit of the ~~financial statements~~ financial report as a whole, care may be necessary so that language used in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- Relates the description directly to the specific circumstances of the entity, while avoiding generic or ~~standardized~~ standardised language.

- Takes into account how the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are addressed in the related disclosure(s) in the [financial statementsfinancial report](#).
 - Does not contain or imply discrete opinions on separate elements of the [financial statementsfinancial report](#).
 - When applicable, does not obscure that a material uncertainty exists.
- A87. The nature and extent of the information provided by the auditor is intended to be balanced in the context of the responsibilities of the respective parties (i.e., for the auditor to provide useful information in a concise and understandable form, while not inappropriately being the provider of original information about the entity). Original information is any information about the entity that has not otherwise been made publicly available by the entity (e.g., has not been included in the [financial statementsfinancial report](#) or other information available at the date of the auditor's report, or addressed in other oral or written communications by management or those charged with governance, such as a preliminary announcement of financial information or investor briefings). Such information is the responsibility of the entity's management and those charged with governance.
- A88. It is appropriate for the auditor to seek to avoid inappropriately providing original information about the entity in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. The description of how the auditor evaluated management's assessment of the entity's ability of going concern is not usually of itself original information about the entity, as it describes the matter in the context of the audit. However, the auditor may consider it necessary to include additional information to explain aspects of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern to enhance users' understanding. When such information is determined to be necessary by the auditor, the auditor may encourage management or those charged with governance to disclose additional information, rather than the auditor providing original information in the auditor's report. Management or those charged with governance may decide to include new or enhanced disclosures in the [financial statementsfinancial report](#) or elsewhere in the annual report relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in light of the fact that the auditor will communicate how they were addressed in the auditor's report.
- A89. Illustration 2 of ~~the~~ Appendix 1 to this [ISAASA](#) is an example of an auditor's report of a listed entity when:
- The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting;
 - The auditor has concluded that no material uncertainty exists; and
 - The [financial statementsfinancial report](#) adequately discloses the significant ~~judgment~~[judgements](#) made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Use of the Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists* (Ref: Para. 35–36)
- A90. The identification of a material uncertainty is a matter that is important to intended users' understanding of the [financial statementsfinancial report](#). The use of a separate section with a heading that includes reference to the fact that a material uncertainty exists alerts intended users to this circumstance.

Adequate Disclosure of a Material Uncertainty Is Made in the ~~Financial Statements~~Financial Report
(Ref: Para. 35)

- A91. Illustrations 3 and 4 of ~~the~~ Appendix 1 to this ~~ISA~~ASA are examples of an auditor's report of an entity other than a listed entity and a listed entity, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the ~~financial statements~~financial report.

Adequate Disclosure of a Material Uncertainty Is Not Made in the ~~Financial Statements~~Financial Report
(Ref: Para. 36)

- A92. Illustrations 5 and 6 of ~~the~~ Appendix 1 to this ~~ISA~~ASA are examples of auditor's reports for a listed entity and an entity other than a listed entity containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the ~~financial statements~~financial report.

Considerations When the Auditor Disclaims an Opinion on the ~~Financial Statements~~Financial Report
(Ref: Para. 37)

- A93. In situations involving multiple uncertainties that are significant to the ~~financial statements~~financial report as a whole, the auditor may consider it appropriate, in extremely rare circumstances, to express a disclaimer of opinion. ~~ISA~~ASA 705 (~~Revised~~) provides guidance on this issue.⁴⁰
- A94. Paragraph 37 prohibits including separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report when the auditor disclaims an opinion on the ~~financial statements~~financial report, unless the auditor is otherwise required by law or regulation, as this would be inconsistent with the disclaimer of opinion on the ~~financial statements~~financial report as a whole and may suggest that the ~~financial statements~~financial report as a whole ~~are~~ is more credible in relation to those matters. When the auditor disclaims an opinion, ~~ISA~~ASA 705 (~~Revised~~)⁴¹ requires the auditor to state in the Basis for Disclaimer of Opinion section of the auditor's report that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Providing such a statement in the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users that may guard against inappropriate reliance on the ~~financial statements~~financial report.

Use of Going Concern Basis of Accounting is Inappropriate (Ref: Para. 38)

- A95. If the ~~financial statements~~financial report ~~have~~ has been prepared using the going concern basis of accounting but, in the auditor's professional ~~judgment~~judgement, management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report is inappropriate, the requirement in paragraph 38 for the auditor to express an adverse opinion applies regardless of whether or not the ~~financial statements~~financial report includes disclosure of the inappropriateness of management's use of the going concern basis of accounting.
- A96. When the use of the going concern basis of accounting is not appropriate in the circumstances, management may be required, or may elect, to prepare the ~~financial statements~~financial report on another basis (e.g., liquidation basis). The auditor may be able to perform an audit of ~~those~~ the ~~financial statements~~financial report provided that the auditor determines that the other

⁴⁰ See ~~ISA~~ASA 705 (~~Revised~~), paragraph 10.

⁴¹ See ~~ISA~~ASA 705 (~~Revised~~), paragraph 19.

basis of accounting is acceptable in the circumstances. The auditor may be able to express an unmodified opinion on ~~those the financial statements~~[financial report](#), provided there is adequate disclosure therein about the basis of accounting on which the ~~financial statements~~[financial report](#) ~~are is~~ prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with [ISA/ASA 706 \(Revised\)](#)⁴² in the auditor's report to draw the intended user's attention to that alternative basis of accounting and the reasons for its use.

Written Representations (Ref: Para. 39–40)

A97. The auditor may consider it appropriate to obtain specific written representations in addition to those required in paragraphs 39 and 40. For example, if the auditor obtains written confirmation as described in paragraph A63 from a related party, including the entity's owner-manager, the auditor may still request written representations from management as to the validity of the written confirmation.

Communication with Those Charged with Governance (Ref: Para. 41–42)

A98. [ISA/ASA 260 \(Revised\)](#)⁴³ explains that timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. The appropriate timing for communications will vary with the circumstances of the engagement, including the significance and nature of the matter, and the action expected to be taken by those charged with governance.

Example:

When events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, prompt communication with those charged with governance may provide them with an opportunity to provide further clarification where necessary. This also enables those charged with governance to consider whether new or enhanced disclosures may be necessary (e.g., in relation to the mitigating factors in management's plans for future actions that are of significance to overcoming the adverse effects of the events or conditions).

A99. The auditor's understanding of how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern required by paragraph 12(f), may also provide a useful basis to promote effective two-way communication between the auditor and those charged with governance.

A100. Communication with those charged with governance about the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern provides an opportunity for those charged with governance to understand the auditor's work that forms the basis for the auditor's conclusions, and where applicable, the implications for the auditor's report. Examples of matters the auditor may communicate with those charged with governance include:

Examples:

- The auditor's views about the appropriateness of the disclosures in the ~~financial statements~~[financial report](#) in view of the recognition, measurement and presentation requirements of the applicable financial reporting framework.

⁴² See [ISA/ASA 706 \(Revised\)](#), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

⁴³ See [ISA/ASA 260 \(Revised\)](#), paragraph A49.

- Whether management has applied appropriate ~~specializes~~specialised skills or knowledge or engaged appropriate experts in making its assessment of the entity's ability to continue as a going concern.
- Whether the method used by management to assess the entity's ability to continue as a going concern is appropriate in the context of the nature, conditions and circumstances of the entity or the requirements of the applicable financial reporting framework.
- The auditor's views about the reasonableness of assumptions on which management's assessment is based and the degree of subjectivity involved in the development of the assumptions.
- Whether assumptions are consistent with those used for other areas of the entity's business activities and whether management has considered alternative assumptions.
- Indicators of possible management bias in management's ~~judgment~~judgements and assumptions used in its assessment of the entity's ability to continue as a going concern.
- Significant deficiencies in internal control related to management's assessment of going concern (also see paragraphs A30, A32 and A35).

A101. In the case of an entity other than a listed entity, in addition to the required statements to be provided in the auditor's report, when appropriate, the auditor may also communicate with those charged with governance additional matters, for example, describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Reporting to an Appropriate Authority Outside of the Entity (Ref: Para. 43)

A102. When the auditor considers including a separate section with a heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issuing a modified opinion in respect of going concern matters, the auditor may be required by law, regulation or relevant ethical requirements to communicate these matters. The reporting may be to an applicable regulatory, enforcement, supervisory or other appropriate authority outside of the entity. In addition, the auditor may be required by law, regulation or relevant ethical requirements to consider the timing of such reporting prior to the issuance of the auditor's report.

Example:

In some jurisdictions, statutory requirements exist that provide early warning procedures for the auditor to report to a supervisory authority when a material uncertainty exists to enable an appropriate authority outside of the entity to investigate the matter and take action. The early warning procedures may include reporting to a supervisory authority at the point in time when the auditor identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A103. Law, regulation or relevant ethical requirements may not include requirements for the auditor to report to an appropriate authority outside the entity as described in paragraph A102. Nevertheless, law, regulation or relevant ethical requirements⁴⁴ may provide the auditor with

⁴⁴ See, for example, paragraph AUST R114.3(a) of the [Accounting Professional & Ethical Standards Board's Code of Ethics for Professional Accountants \(including Independence Standards\) \(the Code\)](#)/[International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants \(including International Independence Standards\) \(IESBA Code\)](#) may permit the disclosure of confidential information when there is a legal or professional duty or right to disclose. Paragraph 114.3 A1(b)(iv) of the [IESBA Code](#) explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

the right to report the matter to an appropriate authority outside the entity, unless disclosure of the information is precluded by the auditor's duty of confidentiality under law, regulation or relevant ethical requirements. In such circumstances, the auditor may also decide to discuss the matter with those charged with governance.

Examples:

- When auditing the [financial statements](#)[financial report](#) of a financial institution, the auditor may have the right under law or regulation to discuss with a supervisory authority when a material uncertainty exists.
- Relevant ethical requirements may require the auditor to consider whether further action is needed in the public interest. Such actions may include reporting the matter to an appropriate authority outside of the entity even when there is no legal or regulatory requirement to do so.⁴⁵

A104. Factors the auditor may consider in determining whether it is appropriate to report the matter to an appropriate authority outside the entity, may include:

- Any views expressed by the regulatory, enforcement, supervisory or other appropriate authority outside of the entity.
- Whether reporting the matter would be in the public interest.
- The adequacy and timeliness of actions by management and, where appropriate those charged with governance, to address or mitigate the situation.

A105. Reporting going concern matters to an appropriate authority outside of the entity may involve complex considerations and professional [judgment](#)[judgements](#). In those circumstances, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action.

⁴⁵ See, for example, paragraphs R360.19-R360.26 of the [IESBA](#) Code.

Illustrations of Independent Auditor’s Reports Related to Going Concern

- Illustration 1: An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- ~~Illustration 2: [Deleted by the AUASB. Refer [Aus] Illustration 2A].~~
- [Aus] Illustration 2A: An auditor’s report on a financial report of a single listed entity company prepared in accordance with the Corporations Act 2001 containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements/financial report about the significant judgment/judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as going concern is adequate.
- Illustration 3: An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements/financial report is adequate.
- ~~Illustration 4: [Deleted by the AUASB. Refer [Aus] Illustration 4A]An auditor’s report of a listed entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.~~
- [Aus] Illustration 4A: An auditor’s report on a financial report of a single listed company prepared in accordance with the Corporations Act 2001 containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial report is adequate.
- ~~Illustration 5: [Deleted by the AUASB. Refer [Aus] Illustration 5A]An auditor’s report of a listed entity containing a qualified opinion when the auditor has concluded that a material uncertainty exists and the financial statements are materially misstated due to inadequate disclosure.~~
- [Aus] Illustration 5A: An auditor’s report on a financial report of a single listed company prepared in accordance with the Corporations Act 2001 containing a qualified opinion when the auditor has concluded that a material uncertainty exists and that the financial report is materially misstated due to inadequate disclosure.
- ~~Illustration 6: [Deleted by the AUASB. Refer [Aus] Illustration 6A]An auditor’s report of an entity other than a listed entity containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the required disclosures relating to the material uncertainty are omitted in the financial statements.~~
- [Aus] Illustration 6A: An auditor’s report on a financial report of a single listed company prepared in accordance with the Corporations Act 2001 containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the financial report omits the required disclosures relating to the material uncertainty.
- [Aus] Illustration 7: An auditor’s report on a financial report of a single listed company prepared in accordance with the Corporations Act 2001 containing a disclaimer of opinion (limitation of scope) when the auditor has been unable to obtain sufficient appropriate audit evidence about the company’s ability to continue as a going concern.

Draft

Illustration 1 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Unmodified Opinion When No Material Uncertainty Exists

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of ~~a complete set of the financial statements~~ financial report of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ~~ISA~~ ASA 600 ~~(Revised)~~⁴⁶ does not apply).
- The ~~financial statements~~ financial report ~~are~~ is prepared by management of the entity in accordance with ~~Australian~~ IFRS Accounting Standards ~~as issued by the International Accounting Standards Board (IASB)~~ (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the ~~financial statements~~ financial report in ~~ISA~~ ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are ~~the Accounting Professional and Ethical Standards Board Limited’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards)~~ those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ~~ISA~~ ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the ~~financial statements~~ financial report differ from those responsible for the preparation of the ~~financial statements~~ financial report.
- In addition to the audit of the ~~financial statements~~ financial report, the auditor has other reporting responsibilities required under ~~the local law~~ law.

⁴⁶ See ~~ISA~~ ASA 600 ~~(Revised)~~; *Special Considerations—Audits of a Group Financial ~~Statements~~ Report (Including the Work of Component Auditors)*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC ~~Company Entity~~ [or Other Appropriate Addressee]

Report on the Audit of the ~~Financial Statements~~ Financial Report⁴⁷

Opinion

We have audited the ~~financial statements~~ financial report of ABC ~~Company Entity~~ (the ~~Company Entity~~), which comprises the statement of financial position as at ~~31 December 31~~, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the ~~financial statements~~ financial report, including material accounting policy information.

In our opinion, the accompanying ~~financial statements~~ financial report presents fairly, in all material respects, (*or give a true and fair view of*) the financial position of the ~~Company Entity~~ as at ~~31 December 31~~, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with ~~IFRS Accounting Standards as issued by the International Accounting Standards Board~~.

Basis for Opinion

We conducted our audit in accordance with ~~International Auditing Standards on Auditing (ISAASAs)~~ International Australian Auditing Standards on Auditing (ISAASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the ~~Financial Statements~~ Financial Report* section of our report. We are independent of the ~~Company Entity~~ in accordance with the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the ~~financial statements~~ financial report in ~~jurisdiction~~ Australia, and we have fulfilled our other ethical responsibilities in accordance with ~~these requirements~~ the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

*No Material Uncertainty Related to Going Concern*⁴⁸

In the context of our audit of the ~~financial statements~~ financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~ financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the ~~Company's Entity's~~ ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the ~~Company's Entity's~~ ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the ~~Financial Statements~~ Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ISAASA 720 (Revised) – see Illustration 1 in Appendix 2 of ISAASA 720 (Revised).]

⁴⁷ The sub-title "Report on the Audit of the Financial ~~Statements~~ Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁴⁸ ~~This additional sub-title may be useful to enhance intended users' understanding about the nature of the matters addressed in the Going Concern section of the auditor's report.~~

Responsibilities of Management and Those Charged with Governance for the Financial StatementsFinancial Report⁴⁹

[Reporting in accordance with ISA-ASA 700 (Revised) – see Illustration 1 in ISA-ASA 700 (Revised).⁵⁰]

Auditor’s Responsibilities for the Audit of the Financial StatementsFinancial Report

[Reporting in accordance with ISA-ASA 700 (Revised) – see Illustration 1 in ISA-ASA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA-ASA 700 (Revised) – see Illustration 1 in ISA-ASA 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate ~~for~~ the particular jurisdiction]

[Auditor Address]

[Date]

Draft

⁴⁹ Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁵⁰ Paragraphs 34 and 39 of ISA-ASA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements-report and the auditor in relation to going concern.

Illustration 2 – An Auditor’s Report on a Financial Report of a Single Listed Entity Company Prepared in Accordance With the Corporations Act 2001 Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements Financial Report About the Significant Judgment Judgements Made by Management in Concluding That There is No Material Uncertainty Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of ~~a complete set of the financial statements~~ financial report of a listed ~~entity company~~ using a fair presentation framework. The audit is not a group audit (i.e., ~~ISAASA 600 (Revised)~~ does not apply).
- The ~~financial statements~~ financial report ~~are~~ is prepared by ~~management~~ the directors of the ~~entity company~~ in accordance with ~~Australian FRS~~ Accounting Standards as issued by the IASB (a general purpose framework) and under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of ~~management’s directors’~~ responsibility for the ~~financial statements~~ financial report in ~~ISAASA 210~~.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.
- Management has disclosed information about significant ~~judgment~~ judgements made in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the disclosures are adequate.
- The auditor has chosen to supplement the required statements in accordance with ~~ISAASA 570 (Revised 2024)~~ by referencing to the sections describing the respective responsibilities of ~~management~~ the directors and of the auditor in relation to going concern.
- Key audit matters have been communicated in accordance with ~~ISAASA 701~~.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the ~~financial statements~~ financial report differ from those responsible for the preparation of the ~~financial statements~~ financial report.
- In addition to the audit of the ~~financial statements~~ financial report, the auditor has other reporting responsibilities required under ~~local law~~ section 308(3C) of the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the ~~Financial Statements~~ Financial Report⁵¹

Opinion

We have audited the ~~financial statements~~ financial report of ABC Company Ltd., (the Company), which comprises the statement of financial position as at ~~30 December~~ June 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the ~~financial statements~~ financial report, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying ~~financial statements~~ financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including: ~~present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.~~

(a) giving a true and fair view of the Company's financial position as at 30 June 20X1, and of its financial performance for the year then ended; and

~~(a)~~ (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with ~~International~~ Australian Auditing Standards ~~on Auditing~~ (ISAASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the* ~~Financial Statements~~ Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of the financial report of public interest entities ~~our audit of the financial statements in [jurisdiction] Australia, and w~~ We have also fulfilled our other ethical responsibilities in accordance with the Code ~~these requirements~~.

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

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

Going Concern

~~*No Material Uncertainty Related to Going Concern*~~⁵²

⁵¹ The sub-title "Report on the Audit of the Financial ~~Statements~~ Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

^{*} Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

⁵² This additional sub-title may be useful to enhance intended users' understanding about the nature of the matters addressed in the Going Concern section of the auditor's report.

Auditing Standard ASA 570 Going Concern

In the context of our audit of the ~~financial statements~~[financial report](#) as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the ~~financial statements~~[financial report](#) is appropriate.

We draw attention to Note X in the ~~financial statements~~[financial report](#), which describes the uncertainties faced by the Company, the significant ~~judgment~~[judgements](#) made by management in assessing the ~~entity's~~[Company's](#) ability to continue as a going concern and the range of mitigating actions that have been deployed to address the effects on the Company's business activities.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with [ISA/ASA 570 \(Revised 2024\)](#).]

Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern. Our responsibilities and the responsibilities of management with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional ~~judgment~~[judgement](#), were of most significance in our audit of the ~~financial statements~~[financial report](#) of the current period. These matters were addressed in the context of our audit of the ~~financial statements~~[financial report](#) as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the significant ~~judgment~~[judgements](#) made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the ~~entity's~~[Company's](#) ability to continue as a going concern referred to in the *Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with [ISA/ASA 701](#).]

Other Information [or another title if appropriate such as "Information Other than the ~~Financial Statements~~[Financial Report](#) and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in [ISA/ASA 720 \(Revised\)](#) – see Illustration 1 in Appendix 2 of [ISA/ASA 720 \(Revised\)](#).]

Responsibilities of ~~Management and Those Charged with Governance~~[the Directors](#) for the ~~Financial Statements~~[Financial Report](#)⁵³

[Reporting in accordance with [ISA/ASA 700 \(Revised\)](#) – see Illustration 1 in [ISA/ASA 700 \(Revised\)](#).⁵⁴]

Auditor's Responsibilities for the Audit of the ~~Financial Statements~~[Financial Report](#)

[Reporting in accordance with [ISA/ASA 700 \(Revised\)](#) – see Illustration 1 in [ISA/ASA 700 \(Revised\)](#).]

⁵³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵⁴ Paragraphs 34 and 39 of [ISA-ASA 700 \(Revised\)](#) require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial ~~statements-report~~[statements-report](#) and the auditor in relation to going concern.

Auditing Standard ASA 570
Going Concern

Report on the Remuneration Report[#]

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

~~Report on Other Legal and Regulatory Requirements~~

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[Auditor’s name and signature][†]

[Name of Firm]

The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Draft

[#] The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—refer paragraphs 42-44 of ASA 700. Any additional “Other Reporting Responsibilities” that the auditor needs to address will also be included in a separate section of the auditor’s report. Under paragraph 42 of ASA 700, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section is used.

[†] The auditor is required to sign the auditor’s report in both their own name and the name of their firm [section 324 AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

Illustration 3 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial StatementsFinancial Report Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of ~~a complete set of the financial statements~~financial report of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA/ASA 600 (Revised) does not apply).
- The ~~financial statements~~financial report ~~are~~is prepared by management of the entity in accordance with IFRS-Australian Accounting Standards ~~as issued by the IASB~~ (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the ~~financial statements~~financial report in ISA/ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are ~~those of the jurisdiction~~the Accounting Professional & Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the ~~financial statements~~financial report is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA/ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the ~~financial statements~~financial report differ from those responsible for the preparation of the ~~financial statements~~financial report.
- In addition to the audit of the ~~financial statements~~financial report, the auditor has other reporting responsibilities required under ~~local law~~the law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC ~~Company Entity~~ [or Other Appropriate Addressee]

Report on the Audit of the ~~Financial Statements~~Financial Report⁵⁵

Opinion

We have audited the ~~financial statements~~financial report of ABC ~~Company Entity~~ (the ~~Company Entity~~), which comprises the statement of financial position as at ~~31 December 31~~, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the ~~financial statements~~financial report, including material accounting policy information.

In our opinion, the accompanying ~~financial statements~~financial report presents fairly, in all material respects, (*or give a true and fair view of*) the financial position of the ~~Company Entity~~ as at ~~31 December 31~~, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with ~~IFRS-Australian~~ Accounting Standards ~~as issued by the International Accounting Standards Board~~.

Basis for Opinion

We conducted our audit in accordance with ~~International Australian~~ Auditing Standards ~~on Auditing~~ (ISAASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the ~~Financial Statements~~Financial Report* section of our report. We are independent of the ~~Company Entity~~ in accordance with the ethical requirements ~~of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code)~~ that are relevant to our audit of the ~~financial statements~~financial report in ~~jurisdiction~~ Australia, and we have fulfilled our other ethical responsibilities in accordance with ~~these requirements~~the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note X in the ~~financial statements~~financial report, which indicates that the ~~Company Entity~~ incurred a net loss of ZZZ during the year ended ~~31 December 31~~, 20X1 and, as of that date, the ~~Company's Entity's~~ current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the ~~Company's Entity's~~ ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In the context of our audit of the ~~financial statements~~financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the ~~Company's Entity's~~ ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the ~~Financial Statements~~Financial Report and Auditor's Report Thereon"]

⁵⁵ The sub-title "Report on the Audit of the Financial ~~Statements~~Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Auditing Standard ASA 570
Going Concern

[Reporting in accordance with the reporting requirements in [ISAASA 720 \(Revised\)](#) – see Illustration 1 in Appendix 2 of [ISAASA 720 \(Revised\)](#).]

Draft

Responsibilities of Management and Those Charged with Governance for the Financial StatementsFinancial Report⁵⁶

[Reporting in accordance with ISA-ASA 700 (Revised) – see Illustration 1 in ISA-ASA 700 (Revised).⁵⁷]

Auditor’s Responsibilities for the Audit of the Financial StatementsFinancial Report

[Reporting in accordance with ISA-ASA 700 (Revised) – see Illustration 1 in ISA-ASA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA-ASA 700 (Revised) – see Illustration 1 in ISA-ASA 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate ~~for~~ the particular jurisdiction]

[Auditor Address]

[Date]

Draft

⁵⁶ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵⁷ Paragraphs 34 and 39 of ISA-ASA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements-report and the auditor in relation to going concern.

[Aus] Illustration 4A – An Auditor’s Report on a Financial Report of a Single Listed Company Prepared in Accordance With the Corporations Act 2001 Containing an Unmodified Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and Disclosure in the Financial Report Is Adequate
An Auditor’s Report of a Listed Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of ~~a complete set of the financial statements~~ financial report of a listed ~~entity company~~ using a fair presentation framework. The audit is not a group audit (i.e., ISAASA 600 (Revised) does not apply).
- The ~~financial statements~~ financial report ~~are~~ is prepared by ~~management~~ the directors of the entity in accordance with ~~IFRS Australian~~ Accounting Standards as issued by the IASB (a general purpose framework) and under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of ~~management’s directors’~~ responsibility for the financial statements financial report in ISAASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are ~~those of the jurisdiction~~ the Accounting Professional & Ethical Standards Board’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the ~~financial statements~~ financial report is adequate.
- Key audit matters have been communicated in accordance with ISAASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the ~~financial statements~~ financial report differ from those responsible for the preparation of the ~~financial statements~~ financial report.
- In addition to the audit of the ~~financial statements~~ financial report, the auditor has other reporting responsibilities required under ~~local law~~ section 308(3C) of the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the ~~Financial Statements~~Financial Report⁵⁸

Opinion

We have audited the ~~financial statements~~financial report of ABC Company Ltd., (the Company), which comprises the statement of financial position as at ~~30 December~~June 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the ~~financial statements~~financial report, including material accounting policy information, and the directors' declaration.

In our opinion, the accompanying ~~financial statements~~financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including: ~~present fairly, in all material respects, (or give a true and fair view of) the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.~~

~~(c)~~ -giving a true and fair view of the Company's financial position as at 30 June 20X1, and of its financial performance for the year then ended; and

~~(b)~~(d) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with ~~International Auditing Standards on Auditing (ISAASAs)~~Australian Auditing Standards on Auditing (ISAASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the ~~Financial Statements~~Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of the financial report of public interest entities ~~our audit of the financial statements in [jurisdiction] Australia, and w~~we have also fulfilled our other ethical responsibilities in accordance with these requirements~~the Code~~.

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note X in the ~~financial statements~~financial report, which indicates that the Company incurred a net loss of ZZZ during the year ended ~~30 December~~June 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISAASA 570 (Revised 2024).]

⁵⁸ The sub-title "Report on the Audit of the Financial ~~Statements~~Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

Auditing Standard ASA 570 Going Concern

As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In the context of our audit of the ~~financial statements~~financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional ~~judgment~~judgement, were of most significance in our audit of the ~~financial statements~~financial report of the current period. These matters were addressed in the context of our audit of the ~~financial statements~~financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ~~ISA~~ISA 701.]

Other Information [or another title if appropriate such as "Information Other than the ~~Financial Statements~~Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ~~ISA~~ISA 720 (Revised) – see Illustration 1 in Appendix 2 of ~~ISA~~ISA 720 (Revised).]

Responsibilities of ~~Management and Those Charged with Governance~~the Directors for the ~~Financial Statements~~Financial Report⁵⁹

[Reporting in accordance with ~~ISA~~ISA 700 (Revised) – see Illustration 1 in ~~ISA~~ISA 700 (Revised).⁶⁰]

Auditor's Responsibilities for the Audit of the ~~Financial Statements~~Financial Report

[Reporting in accordance with ~~ISA~~ISA 700 (Revised) – see Illustration 1 in ~~ISA~~ISA 700 (Revised).]

Report on the Remuneration Report[#]

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

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ~~ISA~~ISA 700 (Revised) – see Illustration 1 in ~~ISA~~ISA 700 (Revised).]

⁵⁹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁶⁰ Paragraphs 34 and 39 of ~~ISA~~ISA 700 (Revised) require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial ~~statements-report~~ and the auditor in relation to going concern.

[#] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ~~ISA~~ISA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ~~ISA~~ISA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

Auditing Standard ASA 570
Going Concern

[Auditor's name and signature][†]

[Name of Firm]

The engagement partner on the audit resulting in this independent auditor's report is [name].

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Draft

[†] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324 AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

[Aus] Illustration 5A – An Auditor’s Report on a Financial Report of a Single Listed Entity Company Prepared in Accordance With Corporations Act 2001 Containing a Qualified Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and That the Financial Statements Financial Report Are Is Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of ~~a complete set of the financial statements~~ financial report of a listed ~~entity company~~ using a fair presentation framework. The audit is not a group audit (i.e., ~~ISAASA 600 (Revised)~~ does not apply).
- The ~~financial statements~~ financial report ~~are is~~ prepared by ~~management~~ the directors of the ~~entity company~~ in accordance with ~~IFRS~~ Australian Accounting Standards ~~as issued by the IASB~~ (a general purpose framework) and under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of ~~management’s~~ the directors’ responsibility for the ~~financial statements~~ financial report in ~~ISAASA~~ 210.
- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board Limited’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied those of the jurisdiction.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. Note Y to the ~~financial statements~~ financial report discusses the magnitude of financing arrangements, the expiration and the total financing arrangements; however the ~~financial statements~~ financial report ~~does~~ not include discussion on the impact or the availability of refinancing or ~~characterize~~ characterise this situation as a material uncertainty.
- The ~~financial statements~~ financial report ~~are is~~ materially misstated due to the inadequate disclosure of the material uncertainty. A qualified opinion is being expressed because the auditor concluded that the effects on the ~~financial statements~~ financial report of this inadequate disclosure are material but not pervasive to the ~~financial statements~~ financial report.
- Key audit matters have been communicated in accordance with ~~ISAASA~~ 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the ~~financial statements~~ financial report also affects the other information.
- Those responsible for oversight of the ~~financial statements~~ financial report differ from those responsible for the preparation of the ~~financial statements~~ financial report.
- In addition to the audit of the ~~financial statements~~ financial report, the auditor has other reporting responsibilities required under ~~local law~~ section 308(3C) of the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the ~~Financial Statements~~ Financial Report⁶¹

Qualified Opinion

We have audited the ~~financial statements~~ financial report of ABC Company Ltd., (the Company), which comprises the statement of financial position as at ~~30 December~~ June 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the ~~financial statements~~ financial report, including material accounting policy information, and the directors' declaration.

In our opinion, except for the incomplete disclosure of the information referred to in the *Basis for Qualified Opinion* section of our report, the accompanying ~~financial statements~~ financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

- (a) ~~present fairly, in all material respects (or give a true and fair view of), the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, giving a true and fair view of the Company's financial position as at 30 June 20X1, and of its performance for the year then ended; and~~
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

As discussed in Note Y, the Company's financing arrangements expire and amounts outstanding are payable on ~~19 March 19~~, 20X2. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The ~~financial statements~~ financial report does not adequately disclose this matter.

We conducted our audit in accordance with ~~International~~ Australian Auditing Standards ~~on Auditing (ISAASAs)~~. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the ~~Financial Statements~~ Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to our audits of the ~~financial statements~~ financial report of public interest entities in ~~jurisdiction~~ Australia, and w. We have also fulfilled our other ethical responsibilities in accordance with ~~these requirements~~ the Code.

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

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

⁶¹ The sub-title "Report on the Audit of the Financial ~~Statements~~ Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

[#] Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

Material Uncertainty Related to Going Concern

As described in the *Basis for Qualified Opinion* section of our report, a material uncertainty exists that has not been adequately disclosed in the ~~financial statements~~financial report.

In the context of our audit of the ~~financial statements~~financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the ~~financial statements~~financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the ~~Financial Statements~~Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ~~ISA~~ASA 720-(Revised) – see Illustration 6 in Appendix 2 of ~~ISA~~ASA 720-(Revised). The last paragraph of the other information section in Illustration 6 would be ~~customized~~customised to describe the specific matter giving rise to the qualified opinion that also affects the other information.]

Key Audit Matters

Key audit matters are those matters that, in our professional ~~judgment~~judgement, were of most significance in our audit of the ~~financial statements~~financial report of the current period. These matters were addressed in the context of our audit of the ~~financial statements~~financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section and in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ~~ISA~~ASA 701.]

Responsibilities of ~~Management and Those Charged with Governance~~the Directors for the ~~Financial Statements~~Financial Report⁶²

[Reporting in accordance with ~~ISA~~ASA 700-(Revised) – see Illustration 1 in ~~ISA~~ASA 700-(Revised).⁶³]

Auditor's Responsibilities for the Audit of the ~~Financial Statements~~Financial Report

[Reporting in accordance with ~~ISA~~ASA 700-(Revised) – see Illustration 1 in ~~ISA~~ASA 700-(Revised).]

Report on the Remuneration Report[†]

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

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700-(Revised) – see Illustration 1 in ISA 700-(Revised).]

⁶² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

⁶³ Paragraphs 34 and 39 of ~~ISA~~ASA 700-(Revised) require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial ~~statements-report~~ and the auditor in relation to going concern.

[†] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

Auditing Standard ASA 570
Going Concern

[Auditor's name and signature][§]

[Name of Firm]

~~The engagement partner on the audit resulting in this independent auditor's report is [name].~~

~~[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]~~

[Auditor Address]

[Date]

Draft

[§] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

[Aus] Illustration 6A – An Auditor’s Report on a Financial Report of an Entity Other Than a Single Listed Entity Company Prepared in Accordance With the Corporations Act 2001 Containing an Adverse Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and the Financial Report Omits the Required Disclosures Relating to the Material Uncertainty Is Not Disclosed in the Financial Statements

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- Audit of ~~a complete set of the financial statements~~ financial report of ~~an entity other than a listed company~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ~~ISA~~ ASA 600 ~~(Revised)~~ does not apply).
- The ~~financial statements~~ financial report ~~are~~ is prepared by ~~management~~ the directors of the ~~entity~~ company in accordance with ~~IFRS~~ Australian Accounting Standards ~~as issued by the IASB~~ (a general purpose framework) and under the Corporations Act 2001.
- The terms of the audit engagement reflect the description of ~~management’s~~ the directors’ responsibility for the ~~financial statements~~ financial report in ~~ISA~~ ASA 210.
- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board Limited’s APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied ~~those of the jurisdiction~~.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists and the company is considering bankruptcy. The ~~financial statements~~ financial report omits the required disclosures relating to the material uncertainty. An adverse opinion is being expressed because the effects on the ~~financial statements~~ financial report of such omission are material and pervasive.
- ASA 701 applies; however, the auditor is not required, and has determined that there are no otherwise not decided, to communicate key audit matters other than the matter described in the Basis for Adverse Opinion section ~~in accordance with ISA 701~~.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the adverse opinion on the ~~financial statements~~ financial report also affects the other information.
- Those responsible for oversight of the ~~financial statements~~ financial report differ from those responsible for the preparation of the ~~financial statements~~ financial report.
- In addition to the audit of the ~~financial statements~~ financial report, the auditor has other reporting responsibilities required under ~~local law~~ section 308(3C) of the Corporations Act 2001.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the ~~Financial Statements~~ Financial Report⁶⁴

Adverse Opinion

We have audited the ~~financial statements~~ financial report of ABC Company Ltd., (the Company), which comprises the statement of financial position as at ~~30 December~~ June 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the ~~financial statements~~ financial report, including material accounting policy information, and the directors' declaration.

In our opinion, because of the omission of the information mentioned in the *Basis for Adverse Opinion* section of our report, the accompanying ~~financial statements~~ financial report of ABC Company Ltd., is not in accordance with the Corporations Act 2001 including: do not present fairly (or do not give a true and fair view of), the financial position of the Company as at December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board.

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

Basis for Adverse Opinion

The Company's financing arrangements expired and the amount outstanding was payable on ~~30 December~~ June 31, 20X1. The Company has been unable to conclude re-negotiations or obtain replacement financing and is considering filing for bankruptcy. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The ~~financial statements~~ financial report does not adequately disclose this fact.

We conducted our audit in accordance with ~~International~~ Australian ~~Auditing~~ Standards on Auditing (~~ISA~~ ASAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the* ~~Financial Statements~~ Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to audits of the financial report of public interest entities ~~our audit of the financial statements in [jurisdiction] Australia, and w~~ We have also fulfilled our other ethical responsibilities in accordance with these requirements ~~the Code~~.

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

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

Material Uncertainty Related to Going Concern

⁶⁴ The sub-title "Report on the Audit of the Financial ~~Statements~~ Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the Corporations Act 2001]

Auditing Standard ASA 570 Going Concern

As described in the *Basis for Adverse Opinion* section of our report, a material uncertainty exists that has not been disclosed in the [financial statements/financial report](#).

In the context of our audit of the [financial statements/financial report](#) as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the [financial statements/financial report](#) is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Key Audit Matters

Except for the matter described in the *Basis for Adverse Opinion* section and in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other Information [or another title if appropriate such as "Information Other than the [Financial Statements/Financial Report](#) and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in [ISA/ASA 720 \(Revised\)](#) – see Illustration 7 in Appendix 2 of [ISA/ASA 720 \(Revised\)](#). The last paragraph of the other information section in Illustration 7 would be ~~customized~~customised to describe the specific matter giving rise to the adverse opinion that also affects the other information.]

Responsibilities of ~~Management and Those Charged with Governance~~the [Directors](#) for the [Financial Statements/Financial Report](#)⁶⁵

[Reporting in accordance with [ISA/ASA 700 \(Revised\)](#) – see Illustration 1 in [ISA/ASA 700 \(Revised\)](#).⁶⁶]

Auditor's Responsibilities for the Audit of the [Financial Statements/Financial Report](#)

[Reporting in accordance with [ISA/ASA 700 \(Revised\)](#) – see Illustration 1 in [ISA/ASA 700 \(Revised\)](#).]

Report on the Remuneration Report[†]

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

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

*[Auditor's name and signature]**

[Name of Firm]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

⁶⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁶⁶ Paragraphs 34 and 39 of [ISA-ASA 700 \(Revised\)](#) require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial [statements-report](#) and the auditor in relation to going concern.

[†] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

* The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

[Auditor Address]

[Date]

Draft

Example Auditor's Report
Disclaimer of Opinion (Limitation of Scope)
Single-listed Company Corporations Act 2001
(Fair Presentation Framework)

[Aus] Illustration 4A7 – An Auditor's Report on a Financial Report of a Single Listed Company Prepared in Accordance With the Corporations Act 2001 Containing a Disclaimer of Opinion (Limitation of Scope) When the Auditor Has Been Unable to Obtain Sufficient Appropriate Audit Evidence About the Company's Ability to Continue as a Going Concern:

For purposes of the illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report of a single listed company. The audit is not a group audit (i.e. ASA 600* does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.#
- ~~The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards).~~
- The auditor is unable to obtain sufficient appropriate audit evidence about the company's ability to continue as a going concern as the directors have refused to extend their going concern assessment up to the relevant period (limitation of scope).
- The auditor is not permitted to communicate key audit matters in accordance with ASA 705.†
- The auditor does not include an other information section in accordance with ASA 720.§
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.

* See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

See ASA 210 *Agreeing the Terms of Audit Engagements*.

† See ASA 705, paragraph 29.

§ Paragraph A55 of ASA 720, *The Auditor's Responsibilities Relating to Other Information* requires the auditor not to include an other information section when the auditor issues a disclaimer of opinion on the financial report in accordance with ASA 705.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Audit of the Financial Report[‡]

Disclaimer of Opinion

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

We do not express an opinion on the accompanying financial report of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

The Company's financing arrangements expired and the amount outstanding was payable on 30 June 20X1. The Company has been unable to conclude re-negotiations to obtain replacement financing. The directors have refused to extend their assessment of the Company's ability to continue as a going concern beyond 30 September 20X1 given the uncertainty of obtaining suitable replacement financing. We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the Company may be able to obtain such financing, and hence remove significant doubt of its ability to continue as a going concern within twelve months of the date of this auditor's report.

[We are unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.](#)

Responsibilities of the Directors for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

[Reporting in accordance with ASA 705 – see [Aus] Illustration 5 in ASA 705.]

Report on the Remuneration Report[#]

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

[Auditor's name and signature][#]

[‡] The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

[#] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

[#] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

Auditing Standard ASA 570
Going Concern

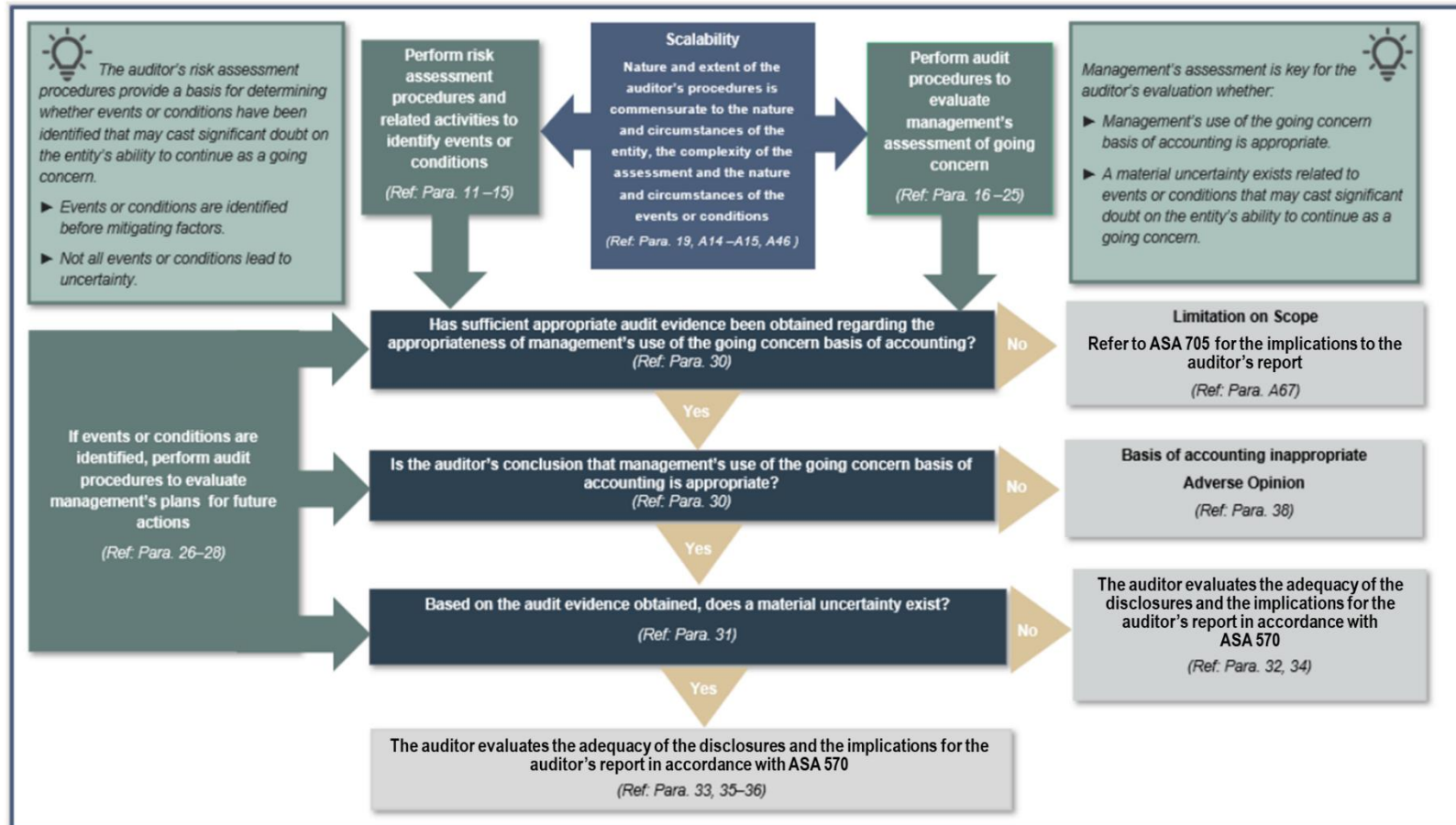
[Name of Firm]

[Date of the auditor's report]

[Auditor's Address]

Draft

Auditor’s Decision-Making Process for Going Concern



Note: The chart depicts a walkthrough of the auditor's decision-making process for going concern, rather than the audit process itself. The dark blue boxes highlight the auditor's decisions in respect of concluding whether the going concern basis of accounting is appropriate and whether a material uncertainty related to going concern exists.

ASA 570
(May 2025)

Auditing Standard ASA 570 *Going Concern*

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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Draft

PREFACE

Reasons for Issuing ASA 570

The AUASB issues Auditing Standard ASA 570 *Going Concern* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). 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 (FRC), 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 Auditing Standard represents the Australian equivalent of ISA 570 (Revised 2024), *Going Concern* and will replace the current ASA 570 issued by the AUASB in December 2015 (as amended to March 2023).

This Auditing Standard contains differences from the ISA 570 (Revised 2024), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 570 *Going Concern* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to AUASB Standards*, which sets out how AUASB Standards are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: 14 May 2025

D Niven
Chair - AUASB

Draft

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 570 (Revised 2024), *Going Concern* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

The following requirement is additional to ISA 570 (Revised 2024):

- Paragraph Aus 3.1 refers to solvency statement requirements in the directors’ declaration under the *Corporations Act 2001*.

The following application and other explanatory material is additional to ISA 570:

- [Aus] Appendix 2 contains diagram of the auditor’s decision-making process for going concern.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 570 (Revised 2024).

Draft

AUDITING STANDARD ASA 570

Going Concern

Application

- Aus 0.1 This Auditing 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.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods beginning on or after 15 December 2026. Early adoption of this Auditing Standard is permitted prior to this date.

Introduction

Scope of this Auditing Standard

1. This Australian Auditing Standard (ASA) deals with the auditor's responsibilities in the audit of a financial report relating to going concern and the implications for the auditor's report. Although this ASA applies irrespective of the entity's size or complexity, particular considerations apply only for audits of financial reports of listed entities. (Ref: Para. A1–A2)

Going Concern Basis of Accounting

2. Under the going concern basis of accounting, the financial report is prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial report is prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial reports prepared on a tax basis in particular jurisdictions). When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. (Ref: Para. A3)

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management

3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern and include standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, Australian Accounting Standard (AASB) 101 requires management to make an assessment of an entity's ability to continue as a going concern.¹ The

¹ See AASB 101 *Presentation of Financial Statements*, paragraphs 25–26.

detailed requirements regarding management's responsibility to assess the entity's ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation. (Ref: Para. A4)

- Aus 3.1 The *Corporations Act 2001*[#], requires a formal statement as to the solvency of the entity to be made by the directors and included as part of the financial report upon which the auditor's opinion is expressed.
4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of a financial report as discussed in paragraph 2, the preparation of the financial report requires management to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.
 5. Management's assessment of the entity's ability to continue as a going concern involves making a judgement, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgement:
 - The degree of uncertainty associated with the outcome of an event or condition increases significantly the further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the minimum period for which management is required to take into account all available information.
 - The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgement regarding the outcome of events or conditions.
 - Any judgement about the future is based on information available at the time at which the judgement is made. Subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made.

Responsibilities of the Auditor

6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial report does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.
7. However, as described in ASA 200,² the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of a reference to an identified material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

[#] See, for example, section 295(4) of the *Corporations Act 2001*.

² See ASA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraphs A56–A57.

Effective Date

8. [Deleted by the AUASB. Refer Aus 0.3]

Objectives

9. The objectives of the auditor are:
- (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report;
 - (b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (c) To report in accordance with this ASA.

Definition

10. For the purposes of this Auditing Standard, the following term has the meaning attributed below:
- (a) **Material Uncertainty (Related to Going Concern)**—An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern. "May cast significant doubt" is used to refer to circumstances where the magnitude of the potential impact and likelihood of occurrence of the identified events or conditions are such that, unless management's plans for future actions mitigate their effects, the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future. (Ref: Para. A5–A6)

Requirements

Risk Assessment Procedures and Related Activities

11. In applying ASA 315,³ the auditor shall design and perform risk assessment procedures, including those required by paragraph 12, to obtain audit evidence that provides an appropriate basis for determining whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. The identification of such events or conditions shall be before consideration of any related mitigating factors included in management's plans for future actions. (Ref: Para. A7–A15)

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

12. In applying ASA 315,⁴ the auditor shall perform risk assessment procedures to obtain an understanding of: (Ref: Para. A9–A15)

The Entity and Its Environment

- (a) The entity's business model, objectives, strategies and related business risks relevant to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A16)

³ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 13-14.

⁴ See ASA 315, paragraphs 19-27.

- (b) Industry conditions, including the competitive environment, technological developments, and other external factors affecting the entity's financing.
- (c) The measures used, internally and externally, to assess the entity's financial performance, including forecasts, future cash flows, and management's budgeting processes. (Ref: Para. A17)

The Applicable Financial Reporting Framework

- (d) The requirements of the applicable financial reporting framework relating to going concern, and the related disclosures that are required to be included in the entity's financial report. (Ref: Para. A18, A20)
- (e) The basis for management's intended use of the going concern basis of accounting. (Ref: Para. A19–A20)

The Entity's System of Internal Control

- (f) Unless all of those charged with governance are involved in managing the entity,⁵ how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A21–A22)
- (g) The entity's risk assessment process to identify, assess and address business risks relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- (h) How management identifies the relevant method, significant assumptions and data that are appropriate in assessing the entity's ability to continue as a going concern. (Ref: Para. A23–A24)
- (i) How the entity's financial reporting process addresses disclosures related to the entity's ability to continue as a going concern. (Ref: Para. A25)

Remaining Alert Throughout the Audit for Information about Events or Conditions

- 13. The auditor shall remain alert throughout the audit for information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A26–A29)

Events or Conditions not Previously Identified or Disclosed by Management

- 14. In applying ASA 315,⁶ the auditor shall determine whether the audit evidence obtained from risk assessment procedures and related activities indicates the existence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor. (Ref: Para: A30–A31)

Control Deficiencies Within the Entity's System of Internal Control

- 15. In applying ASA 315,⁷ based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies in respect of management's assessment of going concern have been identified. (Ref: Para. A32)

⁵ See ASA 260 *Communication with Those Charged with Governance*, paragraph 13.

⁶ See ASA 315, paragraph 35.

⁷ See ASA 315, paragraph 27.

Evaluating Management's Assessment

16. Where management has not yet performed an assessment of the entity's ability to continue as a going concern, the auditor shall request management to make its assessment. If management is unwilling to make its assessment, the auditor shall consider the implications for the audit. (Ref: Para. A33)
17. The auditor shall design and perform audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern, including the significant judgements on which management's assessment is based. (Ref: Para. A34–A36)
18. In designing and performing the audit procedures required by paragraph 17, the auditor shall do so in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. (Ref: Para. A37)

Method, Significant Assumptions and Data Used in Management's Assessment

19. The audit procedures required by paragraph 17 shall include evaluating the method, significant assumptions and data used by management in assessing the entity's ability to continue as a going concern. In determining the nature and extent of such audit procedures, the auditor shall take into account the results of the risk assessment procedures performed. Such audit procedures shall address: (Ref: Para. A35, A38, A46)
 - (a) The method used by management to assess the entity's ability to continue as a going concern, including whether the:
 - (i) Method selected is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from the method used in prior periods are appropriate; and (Ref: Para. A40)
 - (ii) Calculations, if applicable, are applied in accordance with the method and are mathematically accurate. (Ref: Para. A41)
 - (b) Whether the significant assumptions on which management's assessment is based are: (Ref: Para. A42)
 - (i) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate; and
 - (ii) Consistent with each other and with related assumptions used in other areas of the entity's business activities, based on the auditor's knowledge obtained in the audit.
 - (c) Whether the data is:
 - (i) Relevant and reliable; and (Ref: Para. A43–A44)
 - (ii) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate. (Ref: Para. A45)

Period Beyond Management's Assessment

20. The auditor shall enquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern. If management or the auditor identifies such events or conditions, the auditor shall request management to evaluate the potential significance of the events or conditions on its assessment of the entity's ability to continue as a going concern. (Ref: Para. A47–A49)

Requesting Management to Extend Its Assessment

21. If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the financial report as defined in ASA 560,⁸ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. A50–A53)

Management Unwilling to Extend its Assessment

22. If management is unwilling to extend its assessment when requested to do so by the auditor, the auditor shall discuss the matter with management and, where appropriate, those charged with governance. (Ref: Para. A54–A56)
23. If, following the discussion required by paragraph 22, in the auditor's professional judgement it is necessary for management to extend its assessment and management remains unwilling to do so, the auditor shall determine the implications for the audit. (Ref: Para. A57)

Information Used in Management's Assessment

24. In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall consider whether management's assessment includes all relevant information of which the auditor is aware.
25. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor, the auditor shall:
- (a) Discuss the matter with management to understand the effects of those events or conditions on management's assessment of the entity's ability to continue as a going concern and request management to evaluate their potential significance;
 - (b) Determine whether it is necessary to request management to revise its going concern assessment to address the effect of those events or conditions; and (Ref: Para. A58)
 - (c) If applicable, design and perform additional audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern in accordance with paragraphs 17-19.

Evaluating Management's Plans for Future Actions

26. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall evaluate management's plans for future actions in relation to its going concern assessment, including whether: (Ref: Para. A59–A62)
- (a) The outcome of these plans is likely to be sufficient to mitigate the effects of the identified events or conditions;
 - (b) Management's plans are feasible in the circumstances; and
 - (c) Management has both the intent and ability to carry out specific courses of action.
27. If management's plans for future actions include the use of significant assumptions or data, the auditor shall perform the audit procedures required by paragraph 19(b)-(c).

⁸ See ASA 560 *Subsequent Events*, paragraph 5(b).

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

28. If management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, the auditor shall obtain audit evidence about the intent and ability of those parties to maintain or provide the necessary financial support. (Ref: Para. A63–A65)

Information Becomes Known After the Date of the Auditor's Report

29. If additional information becomes known to the auditor after the date of the auditor's report but before the date the financial report is issued that is related to management's assessment of the entity's ability to continue as a going concern, the auditor shall perform procedures in accordance with ASA 560. (Ref: Para. A66)

Evaluating the Audit Evidence Obtained and Concluding

30. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report. In doing so, the auditor shall: (Ref: Para. A67)
- (a) Evaluate whether the judgements and decisions made by management in making its assessment of the entity's ability to continue as a going concern, even if they are individually reasonable, are indicators of possible management bias. When indicators of possible management bias are identified, the auditor shall evaluate the implications for the audit. (Ref: Para. A68–A71)
 - (b) Consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial report.
31. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's professional judgement, a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A72)

Adequacy of Disclosures

Adequacy of Disclosures When No Material Uncertainty Exists

32. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial report provides adequate disclosures about these events or conditions, including, as applicable, when significant judgements are made by management in concluding that there is no material uncertainty. (Ref: Para. A73–A76)

Adequacy of Disclosures When a Material Uncertainty Exists

33. If the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial report: (Ref: Para. A77)
- (a) Adequately discloses the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans for future actions to address these events or conditions; and
 - (b) Discloses clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and,

therefore, that the entity may be unable to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.

When a material uncertainty exists, adequate disclosure of the nature and implications of the uncertainty is necessary for:

- (i) In the case of a fair presentation financial reporting framework, the fair presentation of the financial report, or
- (ii) In the case of a compliance framework, the financial report not to be misleading.

Implications for the Auditor's Report

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists

34. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A78–A79)
- (a) State that: (Ref: Para. A80–A81)
 - (i) In the context of the audit of the financial report as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate;
 - (ii) Based on the audit evidence obtained, the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.
 - (b) For an audit of financial report of a listed entity, when significant judgements are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern: (Ref: Para. A82–A83, A89)
 - (i) Include a reference to the related disclosure(s) in the financial report, if any; and (Ref: Para. A73–A76)
 - (ii) Describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A84–A88)

Use of Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Report

35. If adequate disclosure about the material uncertainty is made in the financial report, the auditor shall express an unmodified opinion and the auditor's report shall include a separate section under the heading "Material Uncertainty Related to Going Concern" and: (Ref: Para. A78–A79, A90–A91)
- (a) Include a reference to the related disclosure(s) in the financial report; (Ref: Para. A73, A77)

- (b) For an audit of financial report of a listed entity, describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern; (Ref: Para. A84–A88)
- (c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern;
- (d) State that:
 - (i) The auditor's opinion is not modified in respect of the matter;
 - (ii) In the context of the audit of the financial report as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate; and
 - (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Report

36. If adequate disclosure about the material uncertainty is not made in the financial report, the auditor shall: (Ref: Para. A78–A79, A90, A92)
- (a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with ASA 705;⁹
 - (b) In the Basis for Qualified (Adverse) Opinion section of the auditor's report, state that a material uncertainty exists and that the financial report does not adequately disclose this matter;
 - (c) Include in the auditor's report a separate section under the heading "Material Uncertainty Related to Going Concern" and:
 - (i) Draw attention to the Basis for Qualified (Adverse) Opinion section of the auditor's report that states that a material uncertainty exists that has not been adequately disclosed in the financial report;
 - (ii) State that:
 - a. In the context of the audit of the financial report as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate; and
 - b. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.

Considerations When the Auditor Disclaims an Opinion on the Financial Report

37. When the auditor disclaims an opinion on the financial report, unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.¹⁰ (Ref: Para. A93–A94)

⁹ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.
¹⁰ See ASA 705, paragraph 29.

Use of Going Concern Basis of Accounting Is Inappropriate

38. If the financial report has been prepared using the going concern basis of accounting but, in the auditor's professional judgement, management's use of the going concern basis of accounting in the preparation of the financial report is inappropriate: (Ref: Para. A95–A96)
- (a) The auditor shall express an adverse opinion; and
 - (b) Unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.

Written Representations

39. The auditor shall request written representations from management¹¹ and, where appropriate, those charged with governance addressing: (Ref: Para. A97)
- (a) Whether management's use of the going concern basis of accounting in the preparation of the financial report is appropriate;
 - (b) Whether the method, significant assumptions and data used in management's assessment of going concern and any related disclosures are appropriate in the context of the applicable financial reporting framework;
 - (c) That management's assessment of going concern reflects all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management is aware of, and all such events or conditions, if any, have been disclosed to the auditor; and
 - (d) That matters relevant to going concern have been adequately disclosed in the financial report, including, when applicable, significant judgements made by management in concluding that there is no material uncertainty.
40. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern the written representations required by paragraph 39 shall also address: (Ref: Para. A97)
- (a) Management's plans for future actions and whether such plans mitigate the effects of the identified events or conditions;
 - (b) The feasibility of these plans; and
 - (c) Whether management has the intent to carry out specific courses of action and has the ability to do so.

Communication with Those Charged with Governance

41. Unless all those charged with governance are involved in managing the entity,¹² the auditor shall communicate on a timely basis with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A98–A99)
42. If events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall communicate with those charged with governance: (Ref: Para. A100)

¹¹ See ASA 580 *Written Representations*.

¹² See ASA 260, paragraph 13.

- (a) Whether the events or conditions constitute a material uncertainty;
- (b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial report;
- (c) An overview of the audit procedures performed and the basis for the auditor's conclusions, including the auditor's evaluation of management's plans for future actions;
- (d) The adequacy of related disclosures in the financial report, including disclosures that describe the significant judgements made by management and the mitigating factors in management's plans that are of significance to overcoming the adverse effects of the events or conditions;
- (e) When applicable, management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested; and
- (f) The implications for the audit or the auditor's report. (Ref: Para. A101)

Reporting to an Appropriate Authority Outside of the Entity

43. When the auditor considers including a separate section under the heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issuing a modified opinion in respect of matters related to going concern, the auditor shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A102–A105)
- (a) Require the auditor to report to an appropriate authority outside the entity.
 - (b) Establish responsibilities or rights under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Documentation

44. In applying ASA 230,¹³ the auditor shall include in the audit documentation significant professional judgements made relating to the auditor's:
- (a) Conclusions on:
 - (i) The appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report; and
 - (ii) Whether or not a material uncertainty exists; and
 - (b) Determination of the adequacy of management's disclosures in the financial report related to going concern.

* * *

¹³ See ASA 230 *Audit Documentation*, paragraphs 8–11, A6–A7 and Appendix 1.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1)

- A1. In addition to the matters addressed by this ASA, ASA 701¹⁴ deals with the auditor's responsibility to communicate key audit matters in the auditor's report. That ASA acknowledges that, when ASA 701 applies, the following are, by their nature key audit matters:¹⁵
- A material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
 - When significant judgements were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

However, in such circumstances, the implications for the auditor's report are in accordance with this ASA.

- A2. For audits of financial reports of listed entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and significant judgements were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this ASA requires the auditor to disclose under the heading of "Going Concern" within the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Going Concern Basis of Accounting

Considerations Specific to Public Sector Entities (Ref: Para. 2)

- A3. Management's use of the going concern basis of accounting is also relevant to public sector entities. For example, International Public Sector Accounting Standard (IPSAS) 1 addresses the issue of the ability of public sector entities to continue as going concerns.¹⁶ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatisation. Events or conditions that may cast significant doubt on an entity's ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

Responsibilities of Management (Ref: Para. 3)

- A4. The circumstances in which entities prepare financial reports on a going concern basis of accounting may vary. For example, AASB 101 explains that those circumstances could range from when an entity has a history of profitable operations and ready access to financial resources, to when management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.¹⁷

¹⁴ See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

¹⁵ See ASA 701, paragraph 15.

¹⁶ See IPSAS 1 *Presentation of Financial Statements*, paragraphs 38–41.

¹⁷ See AASB 101, paragraph 26.

Definition (Ref: Para. 10)

- A5. The applicable financial reporting framework may or may not explicitly use the term “material uncertainty” when describing the uncertainties that are required to be disclosed in the financial report related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. For example, the term “material uncertainty” is used in AASB 101 and IPSAS 1. In some other financial reporting frameworks, the term “significant uncertainty” is used in similar circumstances. The auditor is required by paragraph 31 to conclude whether a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a “material uncertainty.” The applicable financial reporting framework may also not define or describe the term “may cast significant doubt” or may use other terms or phrases.
- A6. Plans for future actions may include, for example, that management realises assets sooner than originally intended or obtains alternative or additional sources of liquidity to support the entity’s ability to continue as a going concern (also see paragraphs 26–28). In such circumstances, the timing of the events or conditions giving rise to the uncertainty may also be relevant. For example, the shorter the time period in which management must take action, the more significant the uncertainty may be about the entity’s ability to continue as a going concern.

Risk Assessment Procedures and Related Activities

Events or Conditions That May Cast Significant Doubt on the Entity’s Ability to Continue as a Going Concern (Ref: Para. 11)

- A7. Some events or conditions may not cast significant doubt when considered individually, however when considered collectively with other events or conditions they may cast significant doubt on the entity’s ability to continue as a going concern.

Examples:

The following are examples of identified events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. These examples are not all-inclusive.

Financial

- Net liability or net current liability position.
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets.
- Indications of withdrawal of financial support by creditors.
- Recurring negative cash flows from operations or inability to generate cash flows from operations indicated by historical or prospective financial reports.
- Adverse key financial ratios.
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows.
- Arrears or discontinuance of dividends.
- Inability to pay creditors on due dates.

- Non-compliance or marginal ability to meet debt repayment or other debt covenant requirements or comply with the terms of loan agreements.
- Change from credit to cash-on-delivery transactions with suppliers.
- Inability to obtain additional debt or equity financing to stay competitive, including for financing or major research and development, capital expenditures, essential new product development and other essential investments.
- Exposure to liquidity risk as a result of the maturity mismatch of financial assets and liabilities.

Operating

- Management intentions to liquidate the entity or to cease operations.
- Loss of key personnel and management without replacement.
- Significant declines in customer demand.
- Loss of a major market, significant customer(s), franchise, license, or principal supplier(s).
- Labour difficulties.
- Shortages of important supplies.
- Emergence of a highly successful competitor.

Other

- Significant or sustained business interruption due to a cyber attack (e.g., denial of access to information or inability to provide service).
- Non-compliance or marginal ability to meet capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions or exchange listing requirements.
- Pending litigation and contingent liabilities arising from matters such as sales warranties, financial guarantees and environmental remediation or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy.
- Changes in law or regulation or government policy expected to adversely affect the entity, including sustainability related matters.
- Substantial decrease in share price.
- Significant exposures to volatile markets, such as exchange rates, commodities (e.g., crude oil prices), equities or interest rates.
- Uninsured or underinsured catastrophes or business interruption losses when they occur (e.g., an earthquake).
- Changes in the environment such as war, civil unrest, outbreaks of disease expected to adversely affect the entity or physical risks related to climate change (e.g., extreme flooding).

- A8. In certain circumstances, the auditor may identify fraud risk factors arising from events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that are relevant to the identification and assessment of the risks of material misstatement due to fraud in accordance with ASA 240.¹⁸

Examples:

- Recurring negative cash flows from operations or an inability to generate cash flows from operations may create a threat of bankruptcy, foreclosure, or hostile takeover that may indicate an incentive or pressure to commit fraud.
- Non-compliance or marginal ability to meet debt covenant requirements may threaten the ability to renew borrowings and indicate an incentive or pressure to improve the business performance or to intentionally misstate the financial report.

Risk Assessment Procedures and Related Activities (Ref: Para. 11–12)

- A9. ASA 315 contains requirements and guidance regarding the auditor's responsibility to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, and the identification and assessment of the risks of material misstatement whether due to fraud or error. The requirements and guidance in this ASA refer to, or expand on, what is required by ASA 315 relevant to identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A10. The risk assessment procedures and related activities assist the auditor in determining whether management's use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit. In particular, when performing risk assessment procedures, such as those required by paragraphs 11–12, the auditor may identify information about certain events or conditions that, when considered individually or collectively, indicate that there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These procedures also allow for more timely discussions with management, including a discussion of management's plans for future actions and resolution of any identified going concern issues when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. The auditor uses professional judgement to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this ASA.
- A11. ASA 315¹⁹ requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Designing and performing risk assessment procedures in an unbiased manner may assist the auditor in identifying potentially contradictory information. This may assist the auditor in maintaining professional scepticism when identifying whether the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern give rise to a risk of management bias in the preparation of the financial report (also see paragraphs A68–A71).
- A12. The following are examples of risk assessment procedures that may be relevant:

Examples:

The Entity and its Environment

¹⁸ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph 24.

¹⁹ See ASA 315, paragraph 13.

- Enquiries of financial planning and analysis personnel related to cash flow, profit and other relevant forecasts to understand the sensitivity analysis related to future earnings included in management's assessment of going concern.
- Enquiries of the entity's legal counsel about the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications.
- Review of previous forecasts (retrospective review) to obtain information regarding the effectiveness of management's process for assessing going concern.
- Inspecting the terms of debentures and loan agreements and determining whether any have been breached.

The Applicable Financial Reporting Framework

- Review of disclosures about the significant judgements and assumptions management makes about the future included in the entity's latest available financial report that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The Entity's System of Internal Control

- Inspecting the minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties.

- A13. The auditor may also use automated tools and techniques when designing and performing risk assessment procedures as required by paragraph 11.

Examples:

The auditor may use automated tools and techniques when:

- Performing analytical procedures to understand the trends of key financial ratios (e.g., the entity's key sources of earnings and their relationship to cash generation) or identify inconsistencies or unusual events.
- Applying predictive models to assess an entity's financial condition or to understand the impact of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (e.g., models for prediction of bankruptcy or insolvency).

Scalability (Ref: Para. 11–12)

- A14. The nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity.

Examples:

The Entity and its Environment

- The nature and extent of the auditor's risk assessment procedures to obtain an understanding of the measures used, internally and externally, to assess the entity's financial performance are likely to be more extensive for entities with a complex structure and business activities. Such entities may also have complex borrowing arrangements with lenders, suppliers or group entities. In contrast, for smaller or less complex entities whose business activities are simple with few lines of business and

with uncomplicated borrowing arrangements, the auditor's risk assessment procedures are likely to be less extensive.

The Applicable Financial Reporting Framework

- When the entity's business activities are affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the related disclosures in the entity's financial report may be straightforward and the applicable financial reporting requirements may be simpler to apply. In such circumstances, the auditor's procedures to obtain an understanding of the basis for management's intended use of the going concern basis of accounting are likely to be less extensive.

The Entity's System of Internal Control

- The nature and extent of the auditor's risk assessment procedures may also depend on the extent to which certain matters apply in the circumstances. For example, those charged with governance in smaller or less complex entities may not include independent or outside members who exercise oversight over management's assessment of the entity's ability to continue as a going concern. In addition, the entity's risk assessment process may be undertaken through the direct involvement of the owner-manager.

A15. The following considerations may be relevant for smaller or less complex entities:

- The size of an entity may affect its ability to withstand adverse conditions. Smaller entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.
- Conditions of particular relevance to smaller entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

The Entity and Its Environment (Ref: Para. 12(a), 12(c))

A16. The entity's business model, objectives, strategies and related business risks may give rise to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some business risks may be so significant that they have implications for the conclusion as to the appropriateness of the entity's use of the going concern basis of accounting and whether a material uncertainty exists.

Examples:

- Industry developments, such as the lack of access to appropriate personnel or expertise to deal with the changes in the industry or loss of significant customers or market share.
- New products and services that may lead to increased product liability.
- Expansion of the entity's business, and demand that has not been accurately estimated.

- Regulatory requirements resulting in increased legal exposure or financial impacts or restrictions on business activities, including those arising from sustainability related matters.
- Current and prospective financing requirements, such as loss of financing due to the entity's inability to meet certain predetermined revenue metrics.
- Incentives and pressures on management, which may result in management bias, and therefore affect the reasonableness of assumptions used in management's assessment of the entity's ability to continue as a going concern.

- A17. Management will likely use information available about the future as well as historical information from internal and external sources when identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Obtaining an understanding of the measures used, internally or externally, may highlight unexpected results or trends that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

- Internal performance measures may indicate an unusual deterioration in sales volume when compared to that of other entities in the same industry that may be indicative of a significant decline in market share or loss of customers.
- External information sources, such as pricing data, comparable data about competitors (benchmarking data) or macro-economic data may indicate competitive, industry, economic and other factors that are used in the entity's forecasts, future cash flow and budgeting processes.
- The analysis of the entity's financial performance by external parties, such as analysts, credit agencies or institutional investors, may highlight inconsistencies with management's performance measures.

The Applicable Financial Reporting Framework (Ref: Para. 12(d), 12(e))

- A18. Obtaining an understanding of the requirements of the applicable financial reporting framework provides the auditor with information about the recognition, measurement and presentation criteria in the applicable financial reporting framework, and how they apply in the preparation of the financial report under the going concern basis of accounting. The applicable financial reporting framework may also include disclosure requirements about the significant judgements and assumptions management makes in concluding whether or not there is a material uncertainty related to going concern. Law or regulation may also include disclosure and other detailed requirements when preparing a financial report on the going concern basis of accounting.
- A19. The nature, extent, timing and frequency of management's assessment of the entity's ability to continue as a going concern may vary from entity to entity. In some entities, management may make assessments of the entity's ability to continue as a going concern more frequently as part of ongoing monitoring, while in other entities it may be made on an annual basis. If such an assessment has not yet been performed, the auditor may obtain an understanding of the basis for the intended use of the going concern basis of accounting through discussion with management and enquire of management whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.

Considerations Specific to Public Sector Entities (Ref: Para. 12(d), 12(e))

A20. In some jurisdictions the applicable financial reporting framework may include specific guidance for public sector entities in relation to going concern that is relevant to management's assessment of the entity's ability to continue as a going concern. For example, such guidance may recognise the relevance of considering the ongoing nature of government programs to certain public sector entities and the presumption of continuation of public services and associated government funding to deliver these programs.

The Entity's System of Internal Control (Ref: Para. 12(f), 12(h), 12(i))

A21. Obtaining an understanding of the oversight by those charged with governance may be particularly important when the assessment of the entity's ability to continue as a going concern:

- Requires significant judgement by management to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
- Is complex to make, for example, because of the use of multiple data sources or assumptions with complex interrelationships.

A22. The effectiveness of management's assessment of the entity's ability to continue as a going concern may be influenced by the oversight exercised by those charged with governance. The auditor may obtain an understanding of whether those charged with governance:

- Have the skills or knowledge to understand the appropriateness of the method used by management in assessing the entity's ability to continue as a going concern.
- Have the skills or knowledge to understand whether management's assessment of the entity's ability to continue as a going concern has been made in accordance with the requirements of the applicable financial reporting framework.
- Are independent from management, have the information required to evaluate on a timely basis how management made the assessment of the entity's ability to continue as a going concern, and the authority to call into question management's actions when those actions appear to be inadequate or inappropriate.
- Oversee management's process for making the assessment of the entity's ability to continue as a going concern.

A23. Aspects that may be relevant to the auditor's understanding of how management determines the relevant method, significant assumptions and data may include:

- The basis for management's selection of the method, assumptions and data used in assessing the entity's ability to continue as a going concern; and
- If alternative methods, assumptions or data were considered by management, including:
 - How management determines that the assumptions are relevant and complete.
 - How management determines the relevance, accuracy and completeness of the data used in the assessment.

A24. If management has changed its method for assessing the entity's ability to continue as a going concern from the prior period, considerations may include whether the new method is, for example, more appropriate, is itself a response to changes in the environment or circumstances affecting the entity, or to changes in the requirements of the applicable financial reporting

framework or regulatory environment, or whether management has another valid reason. If management has not changed its method for assessing the entity's ability to continue as a going concern, considerations may include whether the continued use of the previous method, significant assumptions and data is appropriate in view of the current environment or circumstances.

- A25. The disclosures related to the entity's ability to continue as a going concern may contain information that is obtained from other supporting records and information from outside of the general and subsidiary ledgers (e.g., information produced by an entity's risk management system about hedging strategies or sensitivity analysis derived from financial models that demonstrate management has considered alternative assumptions). As part of obtaining an understanding of the entity's system of internal control, the auditor may consider how management determines the appropriateness of such information used to develop the disclosures related to the entity's ability to continue as a going concern.

Remaining Alert Throughout the Audit for Information about Events or Conditions (Ref: Para. 13)

- A26. As explained in ASA 315,²⁰ obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control is a dynamic and iterative process of gathering, updating and analysing information and continues throughout the audit. Therefore, the auditor's determination of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern may change as new information is obtained.

Example:

The auditor may identify a risk of a material misstatement associated with the valuation assertion for a lender of medium-term real estate backed loans because of a fall in real estate market values. The same event in combination with a severe economic downturn may have a longer-term consequence and a greater impact on the assessment of the risk of material misstatement that may also indicate an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.

- A27. ASA 315 requires the auditor to revise the auditor's identification or assessment of the risks of material misstatement if the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification or assessment of risk.²¹ If events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are identified after the auditor's risk identification or assessments are made, in addition to performing the procedures in this ASA, the auditor's identification or assessment of the risks of material misstatement may need to be revised.
- A28. The auditor may also become aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern from:
- External information sources (e.g., publicly available information of the entity's financial performance by external parties, such as information about short-selling of shares, industry or macro-economic forward-looking information such as economic or earnings forecasts).
 - Other engagements performed for the entity (e.g., an agreed-upon procedures engagement).
 - The auditor's consideration of the other information in accordance with ASA 720.²²

²⁰ See ASA 315, paragraph A48.

²¹ See ASA 315, paragraph 37.

²² See ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

Considerations Specific to Public Sector Entities (Ref: Para. 13)

A29. In the public sector some entities may have broader responsibilities to publicly report beyond the preparation of the financial report which may provide the auditor information about events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. For example, in certain jurisdictions public sector entities may be required to report on long-term fiscal sustainability of a public sector entity's finances and the auditor may have additional responsibilities established by law or regulation with respect to such information. In such cases, the auditor may become aware of long-term fiscal sustainability concerns that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Events or Conditions not Previously Identified or Disclosed by Management (Ref: Para. 14)

A30. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management failed to identify or disclose to the auditor, this may constitute a deficiency in internal control. ASA 265²³ deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of a financial report.

A31. When management has intentionally failed to identify or disclose to the auditor events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this may raise doubts about their integrity and honesty, such as when the auditor suspects an intention to mislead. ASA 240 provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.²⁴

Control Deficiencies Within the Entity's System of Internal Control (Ref: Para. 15)

A32. When the auditor identifies one or more control deficiencies with respect to management's assessment of going concern, ASA 265 requires the auditor to determine whether, individually or in combination, the deficiencies in internal control constitute a significant deficiency. Matters the auditor may consider in determining whether a significant deficiency in internal control exists related to management's assessment of going concern may include:

- Absence of a process established by management to identify, assess and address events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- Ineffective oversight by those charged with governance over management's assessment of the entity's ability to continue as a going concern.
- Evidence that management has failed to identify or disclose events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating Management's Assessment

Requesting Management to Make an Assessment (Ref: Para. 16)

A33. When management is unwilling to make an assessment of the entity's ability to continue as a going concern, even when the financial reporting framework does not include an explicit requirement to do so, the auditor may consider management's lack of assessment as a limitation on the audit evidence the auditor has obtained. In accordance with ASA 705, when

²³ See ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.

²⁴ See ASA 240, paragraphs 26-28.

the possible effects on the financial report of the inability to obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

Management's Assessment and Supporting Analysis and the Auditor's Evaluation (Ref: Para. 17)

- A34. Management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's evaluation whether:
- Management's use of the going concern basis of accounting in the preparation of the financial report is appropriate; and
 - A material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A35. It is not the auditor's responsibility to rectify a lack of analysis by management. In some circumstances, however, a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances. For example, when the entity has profitable operations and there are no liquidity concerns, and the entity's risk assessment process has not identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the method, assumptions and data used by management to make its assessment may be less extensive. However, in situations when, in the auditor's professional judgement, management has not performed an appropriate assessment based on the nature and circumstances of the entity, this may be an indicator of a deficiency in internal control in accordance with ASA 265.

Considerations Specific to Public Sector Entities (Ref: Para. 17)

- A36. For certain public sector entities that are able to draw upon government assistance, management's assessment of going concern may not always be based on solvency or liquidity tests and other factors may be more relevant when the auditor evaluates the entity's ability to continue as a going concern. For example, the absence of a change in government policy in the assessment period may be more relevant when determining whether continued funding is likely to be secured to enable the entity to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.

Obtaining Audit Evidence in an Unbiased Manner (Ref: Para. 18)

- A37. Obtaining audit evidence in an unbiased manner may involve obtaining evidence from multiple sources within and outside the entity. However, the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence.

Examples:

Contradictory information may include:

- The results of the auditor's procedures to evaluate the assumptions used by management in a cash flow forecast highlight inconsistencies with assumptions used for other purposes, such as forecasts used to evaluate the recoverability of deferred tax assets or impairment of assets.
- Credit history information from external sources may indicate financial difficulties for significant customer(s) that has not been considered by management when assessing the recoverability of account receivable balances.
- The outcome of the analysis performed for other account balances is indicative of deteriorating financial performance (e.g., increased inventory obsolescence, delays in payments from customers, changes in customer base, increased borrowings or delays

in payments to creditors) that is not adequately considered by management when making its assessment of going concern.

Corroborative information may include:

- Publicly available information from external sources, such as analysts' expectations or industry data that is consistent with forecasts and assumptions used by management in its assessment of going concern.

Method, Significant Assumptions and Data Used in Management's Assessment (Ref: Para. 19)

A38. The method, significant assumptions and data used by management in its assessment of the entity's ability to continue as a going concern support the judgements made by management about the appropriateness of the use of the going concern basis of accounting in the preparation of the financial report and whether a material uncertainty exists.

Method (Ref: Para. 19(a))

A39. "Method" refers to the approach taken by management to assess the entity's ability to continue as a going concern. A method may be based on using qualitative or quantitative information and involves applying assumptions and data, and taking into account a set of relationships between them.

Examples:

- When the entity's business activities are more complex or susceptible to a greater degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management's method may require input from multiple sources of historical and forward-looking data. The method may also include significant judgements and assumptions with multiple interrelationships between them or from sources of data external to the entity. Supporting analysis may include the effects of adverse scenarios or may employ sensitivity and scenario analysis to consider alternative outcomes related to the entity's current and expected profitability, its liquidity sources, financial obligations and the funds necessary to maintain the entity's operations for the foreseeable future. Supporting analysis may also reflect the interdependencies between risk variables that impact liquidity, market and credit risks.
- When the entity's business activities are simple or the business is affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, management may determine that the most appropriate method is to prepare a simple cash flow forecast and budget or other equivalent analysis covering the appropriate assessment period.

A40. Matters that may be relevant to the auditor's evaluation of whether the method selected is appropriate in the context of the applicable financial reporting framework and, if applicable, the appropriateness of changes from the prior period may include:

- Whether management's rationale for the method selected is appropriate;
- When management has determined that different methods result in significantly different outcomes, how management has investigated the reasons for these differences; and
- Whether the changes are based on new circumstances or new information. When this is not the case, the changes may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

A41. Matters that may be relevant to the auditor's evaluation of whether calculations are mathematically accurate may include whether management has provided adequate explanations for advanced or complex calculations or processing steps (e.g., multiple formulas or macros).

Significant Assumptions (Ref: Para. 19(b))

A42. Considerations for the auditor's evaluation regarding the significant assumptions on which management's assessment is based may include:

- Management's rationale for the selection of the assumptions;
- Whether the assumptions used are consistent with those used in other areas of the entity's business activities, for example, business prospects, assumptions in strategy documents and assumptions used in making accounting estimates;
- Whether the assumptions used by management in the prior period were reasonable, for example, by comparing the prior year assumptions to the actual outcomes in the current year.
- Whether management considered alternative assumptions to determine the effect of changes in the assumptions on the data used in making the assessment, for example, performing a sensitivity analysis including 'pessimistic' and 'optimistic' scenarios; and
- Whether a change from prior periods in selecting an assumption is based on new circumstances or new information. When this is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

Example:

The use of automated tools and techniques may assist the auditor when performing sensitivity analysis of management's assessment of going concern to understand how outcomes are affected by changes in input variables such as discount or growth rates.

Data (Ref: Para. 19(c))

A43. Matters that may be relevant to the auditor's evaluation of whether the data is relevant and reliable may include, for example, management's rationale for selection of the data, how management evaluated whether the data is appropriate, the source of the data, or whether and how the integrity of the data has been maintained through all stages of information processing.

A44. When using information produced by the entity, ASA 500²⁵ requires the auditor to evaluate whether the information is sufficiently reliable for the auditor's purposes, including as necessary in the circumstances, to obtain audit evidence about the accuracy and completeness of the information and evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.

A45. Considerations for the auditor's evaluation of whether the data is appropriate in the context of the applicable financial reporting framework, and, if applicable, the appropriateness of changes from the prior period, may include:

²⁵ See ASA 500 *Audit Evidence*, paragraph 9.

- Whether the data used is consistent with data used elsewhere by management in the preparation of the financial report;
- Whether modifications made to the data are appropriate and supported by management's rationale; and
- Whether a change from prior periods in the sources or items of data selected is based on new circumstances or new information. When this is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A68–A71).

Scalability (Ref: Para. 19)

- A46. The nature and extent of the auditor's procedures may vary depending on the method, significant assumptions and data used by management to assess the entity's ability to continue as a going concern as well as the nature and circumstances of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

Method

- The greater the complexity of the method used by management to assess the entity's ability to continue as a going concern, the more likely it is that management may need to apply specialised skills or knowledge in making its assessment. Also, the auditor's procedures to evaluate management's method will likely be more extensive. In such circumstances it may also be appropriate to involve members of the engagement team with specialised skills or knowledge to assist the auditor in applying the audit procedures or evaluating the results of those procedures.
- In contrast, the auditor's procedures may be less extensive when management's method is simpler, such as when the method used includes a simple budget, sales or cash flow forecast and an analysis of the entity's borrowing facilities and requirements.

Significant Assumptions

- When the assumptions used by management inherently have a high level of subjectivity (e.g., assumptions based on internally developed plans for future restructuring of the entity's business units), the auditor's procedures are likely to be more extensive and may include consideration of forward-looking assumptions.
- In contrast, when management uses assumptions commonly used by other marketplace participants, the auditor's procedures to evaluate the assumptions used by management may be less extensive and may include the auditor comparing the assumptions to those obtained directly from the market or a third party.

Data

- When management's assessment of going concern includes large volumes of data from multiple sources, there may be inherent complexity in evaluating the reliability of the data used and the auditor's procedures may employ automated tools and techniques to evaluate the reliability of the data used by management.
- In contrast, when the source of the data is derived from a reputable external information source (e.g., from a central bank or statistical reports from reputable, authoritative sources) the auditor's procedures to consider the reliability of the information may not be as extensive.

Period Beyond Management's Assessment (Ref: Para. 20)

- A47. The auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report. The degree of uncertainty associated with the outcome of an event or condition increases when the event or condition is further into the future.
- A48. Other than enquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the period assessed by management, which, as required by paragraph 21, would be at least twelve months from the date of approval of the financial report.
- A49. When events or conditions have been identified in the period beyond management's assessment, depending on the nature and circumstances of such events or conditions, the auditor may consider requesting management to revise the period of assessment for example, by extending it beyond twelve months from the date of approval of the financial report.

Requesting Management to Extend Its Assessment (Ref: Para. 21)

- A50. Most financial reporting frameworks requiring an explicit management assessment about going concern specify the minimum period for which management is required to take into account all available information.²⁶ Paragraph 21 requires the auditor to request management to extend its assessment period if that period covers less than twelve months from the date of the approval of the financial report. This requirement also applies when the applicable financial reporting framework does not specify the period to be covered by management's assessment of the entity's ability to continue as a going concern.
- A51. The date of approval of the financial report for purposes of the ASAs is the date on which those with the recognised authority determine that all the statements that comprise the financial report, including the related notes, have been prepared and that those with the recognised authority have asserted that they have taken responsibility for the financial report.²⁷ The applicable financial reporting framework may use other terms to describe the "date of approval of the financial report."²⁸
- A52. The auditor may also wish to discuss with management at an early stage of the audit the expected date of approval of the financial report to assist the auditor in complying with the requirement in paragraph 21. To avoid misunderstandings, the auditor may also include in the engagement letter reference to the expectation that management's assessment of the entity's ability to continue as a going concern covers at least twelve months from the date of approval of the financial report.²⁹
- A53. Certain entities, for example public sector entities, that are dependent on continued government funding will ordinarily not have certainty of funding beyond the annual budget cycle of governments. Management will therefore need to make assumptions about securing continued funding so that management's assessment covers a period of at least twelve months from the date of approval of the financial report. In such circumstances the absence of

²⁶ See, for example, AASB 101 defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period and IPSAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the approval of the financial statements.

²⁷ See ASA 560, paragraph 5(b).

²⁸ See, for example, AASB 110, *Events After the Reporting Period* uses the term "date the financial statements are authorised for issue" and explains that such date will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalising the financial statements.

²⁹ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph A24.

information about a change of government policy may be relevant to the auditor's evaluation of the appropriateness of these assumptions.

Management Unwilling to Extend its Assessment (Ref: Para. 22–23)

- A54. An unwillingness by management to extend its assessment may be a limitation on the audit evidence the auditor is seeking to obtain about the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report. Accordingly, the auditor is required to discuss the matter with management, and where appropriate, with those charged with governance, and enquire as to the reasons for management's decision.
- A55. Where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report. For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen.
- A56. The level of detail and the formality of management's process to extend its assessment of the entity's ability to continue as a going concern to at least twelve months from the date of approval of the financial report may vary from entity to entity. In some entities, management may prepare an assessment of the entity's ability to continue as a going concern, supported by detailed analysis, more frequently as part of its ongoing monitoring. In other cases, management may update its assessment from the date of the financial report to the date of approval of the financial report through less formal means. As explained in paragraph A35 a less extensive analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances.
- A57. If the auditor is unable to obtain sufficient appropriate audit evidence that supports the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report, as a result of management's decision not to extend its assessment, the auditor may conclude that it is appropriate to:
- Revise the assessment of the risks of material misstatement and modify planned audit procedures in accordance with ASA 315.³⁰ For example, if management's decision is unreasonable in the circumstances, this may indicate a fraud risk factor that requires evaluation in accordance with ASA 240.
 - Consider management's unwillingness to extend its assessment as a limitation on the audit evidence the auditor has obtained. In accordance with ASA 705, when the possible effects on the financial report of the inability to obtain sufficient appropriate audit evidence are pervasive, the auditor disclaims an opinion.

Information Used in Management's Assessment (Ref: Para. 25)

- A58. Paragraphs 20, A27, A30–A31 and A66 describe circumstances that are relevant when it may be necessary for the auditor to request management to revise its assessment.

Evaluating Management's Plans for Future Actions (Ref: Para. 26–28)

- A59. Management's plans for future actions may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going

³⁰ See ASA 315, paragraph 37.

concern. Such plans for future actions, may include plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.

Examples:

- The risk of an entity being unable to make its normal debt repayments may be counterbalanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital.
- The loss of a principal supplier may be mitigated by management's actions to secure a suitable alternative source of supply.

A60. The nature and extent of audit evidence to be obtained about management's intent and ability is a matter of professional judgement. The auditor's procedures to evaluate management's plans for future actions may include:

- Enquiry of management about its reasons for a particular course of action.
- Evaluating responses to enquiries of management about the ability to carry out a particular course of action given the entity's economic circumstances, including the implications of its existing commitments and legal, regulatory or contractual restrictions that could affect the feasibility of management's actions.
- Evaluating responses to enquiries of management or those charged with governance with audit evidence from sources within or outside the entity.
- Inspecting information about management's history of carrying out its stated intentions.
- Inspecting written plans and other documentation, including, when applicable, formally approved budgets, authorisations or minutes.
- Inspecting records and documents for support of any planned disposals of assets.
- Inspecting reports of regulatory actions.
- Inspecting correspondence with lenders and finance providers that could affect the feasibility of management's plans to carry out further actions.
- Evaluating the consistency of significant assumptions in management's plans with those used in other accounting estimates, or with related assumptions used in other areas of the entity's business activities,
- Reviewing events occurring subsequent to the date of the financial report and up to the date of the auditor's report to identify those that either mitigate or otherwise affect the entity's ability to continue as a going concern.
- Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with third parties or related parties, including the entity's owner-manager and evaluating the financial ability of such parties to provide additional funds.
- When prospective financial information is relevant, performing analytical procedures by comparing:
 - The prospective financial information for recent prior periods with historical results; and

- The prospective financial information for the current period with results achieved to date.
 - When management's plans for future actions are based on information from internal sources, comparing to information from reputable independent sources external to the entity.
- A61. In certain circumstances the auditor may consider requesting an external confirmation³¹ of the existence and terms of borrowing facilities between the entity and external finance providers.

Examples:

Requesting an external confirmation may be appropriate when:

- Borrowing facilities are being renewed in the assessment period.
- There are limited financial resources available to the entity beyond those required to continue its operations.
- The entity is dependent on borrowing facilities shortly due for renewal, for example within twelve months from the date of approval of the financial report.
- There is an indication that previous renewal of borrowing facilities was agreed with difficulty, or the lender has imposed additional conditions as a prerequisite for continued financing.
- There is a significant deterioration in projected cash flows.
- The value of assets granted as security for borrowing is declining.
- The entity has breached the terms of borrowing covenants, or there are indications of potential breaches.

- A62. Some finance providers may be reluctant to confirm in writing to an entity or their auditor that borrowing facilities will be renewed. When management's plans for future actions are based on arrangements to maintain or secure borrowing facilities from external finance providers, the lack of an external confirmation may be a limitation on the audit evidence the auditor is seeking to obtain. In such circumstances, the auditor may consider making enquiries of external finance providers with respect to borrowing facilities, including information about the rationale for their reluctance to confirm in writing that borrowing facilities will be renewed and whether such rationale is specific to the circumstances of the entity. The auditor may also need to enquire of management as to whether there are alternative strategies or sources of financing that may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If alternative strategies or sources of financing are not available, then a material uncertainty may exist.

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

Intent (Ref: Para. 28)

- A63. Where management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such financial support is important to an entity's ability to continue as a going concern, the auditor may need to consider requesting written confirmation from such parties to obtain sufficient

³¹ See ASA 330 *The Auditor's Responses to Assessed Risks*, paragraph 19.

appropriate audit evidence about their intent to provide the necessary financial support. Such written confirmation may be in paper form, or by electronic or other medium³² and may include:

- Terms and conditions of the commitment from those parties.
- When applicable, the legality and enforceability of the commitments.
- The period or the specific date to which the parties intend to provide the financial support.

Ability (Ref: Para. 28)

A64. The auditor's procedures to obtain sufficient appropriate audit evidence about the ability of the third parties or related parties, including the entity's owner-manager, to provide the financial support may include:

- Enquiries about the business rationale for the financial support and the basis on which such support is established (e.g., entity's business plans or other forecasts).
- Enquiries about the ability to provide the financial support in a timely manner for the entity to meet its obligations.
- Enquiries of others, such as external or internal legal counsel, or the auditor of the financial report of a related party in a group audit engagement who may have relevant knowledge and information about the ability of third parties or related parties, including the entity's owner-manager, to provide the financial support.
- Inspecting the records of past financial support provided by the parties when such support was needed.
- Inspecting the latest available audited financial report or other supporting information to obtain audit evidence about the financial position of the parties to provide the necessary financial support to the entity.

Scalability (Ref: Para. 28)

A65. Financial support by an entity's owner-manager is often important to the ability of smaller or less complex entities to continue as a going concern. Where a smaller or less complex entity is largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn.

Example:

The continuance of a smaller or less complex entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favour of banks or other creditors, or the owner-manager supporting a loan for the entity by providing a guarantee with the owner-manager's personal assets as collateral. In such circumstances, the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager's loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor evaluates the owner-manager's ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager's intention or understanding.

³² See ASA 505 *External Confirmations*, paragraph 6(a).

Information Becomes Known After the Date of the Auditor's Report (Ref: Para. 29)

A66. ASA 560 requires the auditor to respond appropriately to facts that become known to the auditor after the date of the auditor's report but before the date the financial report is issued, that, had they been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report.³³ For example, this may be the case when the auditor is aware of a significant delay between the date of the auditor's report and the date the financial report will be issued, and the auditor determines that such delay is related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating the Audit Evidence Obtained and Concluding (Ref: Para. 30–31)

A67. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report, in accordance with ASA 705 the auditor is required to consider the implications for the audit.

Indicators of Possible Management Bias (Ref: Para. 30(a))

- A68. The susceptibility to management bias, whether intentional or unintentional, may increase with the degree of estimation uncertainty, complexity and subjectivity in management's assessment of the entity's ability to continue as a going concern.
- A69. When the auditor identifies indicators of possible management bias, the auditor may need a further discussion with management and may need to reconsider whether sufficient appropriate audit evidence has been obtained that the method, assumptions and data used by management to make its assessment of the entity's ability to continue as a going concern were appropriate.

Examples:

- Management may tend to ignore observable marketplace assumptions or data and instead use their own internally-developed assumptions or select data that yields a more favourable outcome.
- There may be changes in the method, assumptions or data from period to period without a clear and appropriate reason for doing so. In contrast, management may not have made changes in the method, assumptions or data from period to period despite significant changes in economic conditions or when other circumstances indicate that a change may be necessary.
- There may be significant influence of an owner-manager or a related party over the determination of the source of the information used in management's assessment of the entity's ability to continue as a going concern.
- Management may be overly optimistic or fail to consider trends and patterns in historical information when evaluating future outcomes about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A70. When such indicators are identified, this may also affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate. The auditor may also need to consider the implications for other aspects of the audit,³⁴ including the need to further question the appropriateness of management's judgements in making its assessment of the

³³ See ASA 560, paragraphs 10-13.

³⁴ See ASA 540 *Auditing Accounting Estimates and Related Disclosures*, paragraphs A133-A136.

entity's ability to continue as a going concern. Further, indicators of possible management bias may affect the auditor's conclusion as to whether the financial report as a whole is free from material misstatement, as discussed in ASA 700.³⁵

- A71. Indicators of possible management bias may also be fraud risk factors and may cause the auditor to reassess whether the auditor's risk assessment, in particular the assessment of the risks of material misstatement due to fraud, and related responses remain appropriate.³⁶ When there is intention to mislead, management bias is fraudulent in nature and the auditor may need to consider whether the bias may represent a material misstatement due to fraud.

Concluding on Whether a Material Uncertainty Exists (Ref: Para. 31)

- A72. When events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's conclusion required by paragraph 31 is dependent on the auditor's evaluation of management's plans for future actions in accordance with paragraphs 26–28. For example, a material uncertainty exists when, based on the audit evidence obtained, the auditor concludes that:

- The outcome of these plans is not likely to be sufficient to mitigate the effects of the identified events or conditions.
- Management's plans may not be feasible in the circumstances.
- Management may not have the intent or ability to carry out specific courses of action.
- Third parties or related parties, including the entity's owner-manager, may not have the intent or ability to provide necessary financial support.

When a material uncertainty exists, the auditor is required to determine whether the financial report provides the disclosures required by paragraph 33.

- Aus A72.1 Refer to [Aus] Appendix 2 for a diagrammatic illustration of the auditor's decision-making process for going concern.

Adequacy of Disclosures

Adequacy of Disclosures When No Material Uncertainty Exists (Ref: Para. 32, 34(b)(i))

- A73. Some financial reporting frameworks may address disclosures about:

- Principal events or conditions;
- Management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations;
- Management's plans that mitigate the effect of these events or conditions;
- The assumptions management makes about the future, and other sources of estimation uncertainty; or
- Significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

Example:

³⁵ See ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraph 11.

³⁶ See ASA 240, paragraph 25.

In assessing the entity's ability to continue as a going concern, management considers all relevant information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any remedial actions to mitigate the effects of those events or conditions, management may conclude that there is no material uncertainty. For example, in response to declining customer demand and uncertainties faced in the broader economic environment, management may have started executing a turnaround strategy that is demonstrating some evidence of success (e.g., reducing costs, optimising cash flows and preserving liquidity, to support the entity's ability to realise its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future). However, reaching the conclusion that there is no material uncertainty involved significant judgement by management in estimating the impact and the timing of the future cash flows.

- A74. When the financial report is prepared in accordance with a fair presentation framework, the auditor's evaluation as to whether the financial report achieves fair presentation includes the consideration of the overall presentation, structure and content of the financial report, and whether the financial report, including the related notes, represents the underlying transactions and events in a manner that achieves fair presentation.³⁷
- A75. When significant judgements are made by management in concluding that there is no material uncertainty, in applying paragraph 32 the auditor may determine, depending on the facts and circumstances, that additional disclosures are necessary for the financial report to achieve fair presentation (for fair presentation frameworks) or for the financial report not to be misleading (for compliance frameworks), as appropriate. Additional disclosures may be necessary, for example, when no disclosures are explicitly required by the applicable financial reporting framework regarding these circumstances.
- A76. In accordance with ASA 705,³⁸ the auditor is required to express a modified opinion in the auditor's report when the financial report does not provide the additional disclosures necessary to achieve fair presentation beyond disclosures specifically required by the applicable financial reporting framework.

Adequacy of Disclosure When a Material Uncertainty Exists (Ref: Para. 33, 35(a))

- A77. Paragraph 33 requires the auditor to determine whether the financial statement disclosures address the matters set forth in that paragraph. This determination is in addition to the auditor determining whether disclosures about a material uncertainty, required by the applicable financial reporting framework, are adequate. Disclosures required by some financial reporting frameworks that are in addition to matters set forth in paragraph 33 may include disclosures about:
- Management's evaluation of the significance of the events or conditions relating to the entity's ability to meet its obligations and management's plans for future actions to address these events or conditions; or
 - Significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

Some financial reporting frameworks may provide additional guidance regarding management's consideration of disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of their occurrence.

³⁷ See ASA 700, paragraph 14.

³⁸ See ASA 705, paragraphs 6 and A7.

Implications for the Auditor's Report (Ref: Para. 34–38)

- A78. Appendix 1 to this ASA provides illustrations of the statements that are required to be included in the auditor's report on the financial report when AASB Accounting Standards is the applicable financial reporting framework. If an applicable financial reporting framework other than AASB Accounting Standards is used, the illustrative statements presented in Appendix 1 to this ASA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.
- A79. The statements required by paragraphs 34–36 represent the minimum information that is to be presented in the auditor's report in each of the circumstances described. The auditor may provide additional information to supplement the required statements, for example reference to where the respective responsibilities of those with responsibility for the financial report and of the auditor in relation to going concern are described. The Appendix of ASA 700³⁹ includes illustrative wording to be included in the auditor's report in relation to going concern to describe the respective responsibilities of those responsible for the financial report and of the auditor.

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists (Ref: Para. 34)

- A80. The auditor may provide additional information in the auditor's report that would supplement the statements required by paragraph 34(a) (e.g., to provide a reference to the relevant accounting policies or the notes in the financial report).
- A81. Illustration 1 of Appendix 1 to this ASA is an example of an auditor's report of an entity other than a listed entity when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting and has concluded that no material uncertainty exists.
- A82. For an audit of a financial report of an entity other than a listed entity, law or regulation may require the auditor to provide the information required by paragraph 34(b). The auditor also may decide that providing the information required by paragraph 34(b) for an entity other than a listed entity would be appropriate to enhance transparency for intended users of a financial report in the auditor's report. For example, the auditor may decide to do so for other entities, including those that may be of significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business. Such entities may include financial institutions (such as banks, insurance companies, and superannuation funds), and other entities such as charities.
- A83. There may be circumstances when, in the auditor's professional judgement, the disclosures of management's judgements relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are fundamental to the intended users' understanding of the financial report. Also, there may be circumstances when the auditor, in addition to including a reference to the disclosure(s) in the financial report, would consider it appropriate to draw attention to key aspects of them. In such circumstances, the information required by paragraph 34(b) can be supplemented to include aspects of the identified events or conditions disclosed in the financial report, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors or to draw attention to aspects of the disclosures of management's judgements.

³⁹ See ASA 700, paragraphs 34 and 39.

Auditing Standard ASA 570
Going Concern

Description of How the Auditor Evaluated Management's Assessment of Going Concern (Ref: Para. 34(b)(ii), 35(b))

- A84. The auditor may describe one or more of the following elements when providing the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- A brief overview of procedures performed;
 - An indication of the outcome of the auditor's procedures;
 - Aspects of the auditor's response or approach that were most relevant to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including the evaluation of management's plans for future actions; or
 - Key observations with respect to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A85. The amount of detail to be provided in the auditor's report to describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern is a matter of professional judgement. When considering the amount of detail to provide in the auditor's report, the auditor may consider the following factors:
- The nature and extent of audit procedures performed to evaluate management's assessment to conclude that no material uncertainty exists.
 - The level of subjectivity, complexity and estimation uncertainty involved in management's assessment.
- A86. In order for intended users to understand the significance of the description in the context of the audit of the financial report as a whole, care may be necessary so that language used in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- Relates the description directly to the specific circumstances of the entity, while avoiding generic or standardised language.
 - Takes into account how the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are addressed in the related disclosure(s) in the financial report.
 - Does not contain or imply discrete opinions on separate elements of the financial report.
 - When applicable, does not obscure that a material uncertainty exists.
- A87. The nature and extent of the information provided by the auditor is intended to be balanced in the context of the responsibilities of the respective parties (i.e., for the auditor to provide useful information in a concise and understandable form, while not inappropriately being the provider of original information about the entity). Original information is any information about the entity that has not otherwise been made publicly available by the entity (e.g., has not been included in the financial report or other information available at the date of the auditor's report, or addressed in other oral or written communications by management or those charged with governance, such as a preliminary announcement of financial information or investor briefings). Such information is the responsibility of the entity's management and those charged with governance.
- A88. It is appropriate for the auditor to seek to avoid inappropriately providing original information about the entity in the description of how the auditor evaluated management's assessment of

the entity's ability to continue as a going concern. The description of how the auditor evaluated management's assessment of the entity's ability of going concern is not usually of itself original information about the entity, as it describes the matter in the context of the audit. However, the auditor may consider it necessary to include additional information to explain aspects of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern to enhance users' understanding. When such information is determined to be necessary by the auditor, the auditor may encourage management or those charged with governance to disclose additional information, rather than the auditor providing original information in the auditor's report. Management or those charged with governance may decide to include new or enhanced disclosures in the financial report or elsewhere in the annual report relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in light of the fact that the auditor will communicate how they were addressed in the auditor's report.

A89. Illustration 2 of Appendix 1 to this ASA is an example of an auditor's report of a listed entity when:

- The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting;
- The auditor has concluded that no material uncertainty exists; and
- The financial report adequately discloses the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Use of the Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists (Ref: Para. 35–36)

A90. The identification of a material uncertainty is a matter that is important to intended users' understanding of the financial report. The use of a separate section with a heading that includes reference to the fact that a material uncertainty exists alerts intended users to this circumstance.

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Report (Ref: Para. 35)

A91. Illustrations 3 and 4 of Appendix 1 to this ASA are examples of an auditor's report of an entity other than a listed entity and a listed entity, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial report.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Report (Ref: Para. 36)

A92. Illustrations 5 and 6 of Appendix 1 to this ASA are examples of auditor's reports for a listed entity and an entity other than a listed entity containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the financial report.

Considerations When the Auditor Disclaims an Opinion on the Financial Report (Ref: Para. 37)

- A93. In situations involving multiple uncertainties that are significant to the financial report as a whole, the auditor may consider it appropriate, in extremely rare circumstances, to express a disclaimer of opinion. ASA 705 provides guidance on this issue.⁴⁰
- A94. Paragraph 37 prohibits including separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report when the auditor disclaims an opinion on the financial report, unless the auditor is otherwise required by law or regulation, as this would be inconsistent with the disclaimer of opinion on the financial report as a whole and may suggest that the financial report as a whole is more credible in relation to those matters. When the auditor disclaims an opinion, ASA 705⁴¹ requires the auditor to state in the Basis for Disclaimer of Opinion section of the auditor's report that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Providing such a statement in the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users that may guard against inappropriate reliance on the financial report.

Use of Going Concern Basis of Accounting is Inappropriate (Ref: Para. 38)

- A95. If the financial report has been prepared using the going concern basis of accounting but, in the auditor's professional judgement, management's use of the going concern basis of accounting in the preparation of the financial report is inappropriate, the requirement in paragraph 38 for the auditor to express an adverse opinion applies regardless of whether or not the financial report includes disclosure of the inappropriateness of management's use of the going concern basis of accounting.
- A96. When the use of the going concern basis of accounting is not appropriate in the circumstances, management may be required, or may elect, to prepare the financial report on another basis (e.g., liquidation basis). The auditor may be able to perform an audit of the financial report provided that the auditor determines that the other basis of accounting is acceptable in the circumstances. The auditor may be able to express an unmodified opinion on the financial report, provided there is adequate disclosure therein about the basis of accounting on which the financial report is prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with ASA 706⁴² in the auditor's report to draw the intended user's attention to that alternative basis of accounting and the reasons for its use.

Written Representations (Ref: Para. 39–40)

- A97. The auditor may consider it appropriate to obtain specific written representations in addition to those required in paragraphs 39 and 40. For example, if the auditor obtains written confirmation as described in paragraph A63 from a related party, including the entity's owner-manager, the auditor may still request written representations from management as to the validity of the written confirmation.

Communication with Those Charged with Governance (Ref: Para. 41–42)

- A98. ASA 260⁴³ explains that timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. The appropriate timing for communications will vary with the circumstances of the

⁴⁰ See ASA 705, paragraph 10.

⁴¹ See ASA 705, paragraph 19.

⁴² See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

⁴³ See ASA 260, paragraph A49.

engagement, including the significance and nature of the matter, and the action expected to be taken by those charged with governance.

Example:

When events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, prompt communication with those charged with governance may provide them with an opportunity to provide further clarification where necessary. This also enables those charged with governance to consider whether new or enhanced disclosures may be necessary (e.g., in relation to the mitigating factors in management's plans for future actions that are of significance to overcoming the adverse effects of the events or conditions).

- A99. The auditor's understanding of how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern required by paragraph 12(f), may also provide a useful basis to promote effective two-way communication between the auditor and those charged with governance.
- A100. Communication with those charged with governance about the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern provides an opportunity for those charged with governance to understand the auditor's work that forms the basis for the auditor's conclusions, and where applicable, the implications for the auditor's report. Examples of matters the auditor may communicate with those charged with governance include:

Examples:

- The auditor's views about the appropriateness of the disclosures in the financial report in view of the recognition, measurement and presentation requirements of the applicable financial reporting framework.
- Whether management has applied appropriate specialised skills or knowledge or engaged appropriate experts in making its assessment of the entity's ability to continue as a going concern.
- Whether the method used by management to assess the entity's ability to continue as a going concern is appropriate in the context of the nature, conditions and circumstances of the entity or the requirements of the applicable financial reporting framework.
- The auditor's views about the reasonableness of assumptions on which management's assessment is based and the degree of subjectivity involved in the development of the assumptions.
- Whether assumptions are consistent with those used for other areas of the entity's business activities and whether management has considered alternative assumptions.
- Indicators of possible management bias in management's judgements and assumptions used in its assessment of the entity's ability to continue as a going concern.
- Significant deficiencies in internal control related to management's assessment of going concern (also see paragraphs A30, A32 and A35).

- A101. In the case of an entity other than a listed entity, in addition to the required statements to be provided in the auditor's report, when appropriate, the auditor may also communicate with

those charged with governance additional matters, for example, describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Reporting to an Appropriate Authority Outside of the Entity (Ref: Para. 43)

A102. When the auditor considers including a separate section with a heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issuing a modified opinion in respect of going concern matters, the auditor may be required by law, regulation or relevant ethical requirements to communicate these matters. The reporting may be to an applicable regulatory, enforcement, supervisory or other appropriate authority outside of the entity. In addition, the auditor may be required by law, regulation or relevant ethical requirements to consider the timing of such reporting prior to the issuance of the auditor's report.

Example:

In some jurisdictions, statutory requirements exist that provide early warning procedures for the auditor to report to a supervisory authority when a material uncertainty exists to enable an appropriate authority outside of the entity to investigate the matter and take action. The early warning procedures may include reporting to a supervisory authority at the point in time when the auditor identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A103. Law, regulation or relevant ethical requirements may not include requirements for the auditor to report to an appropriate authority outside the entity as described in paragraph A102. Nevertheless, law, regulation or relevant ethical requirements⁴⁴ may provide the auditor with the right to report the matter to an appropriate authority outside the entity, unless disclosure of the information is precluded by the auditor's duty of confidentiality under law, regulation or relevant ethical requirements. In such circumstances, the auditor may also decide to discuss the matter with those charged with governance.

Examples:

- When auditing the financial report of a financial institution, the auditor may have the right under law or regulation to discuss with a supervisory authority when a material uncertainty exists.
- Relevant ethical requirements may require the auditor to consider whether further action is needed in the public interest. Such actions may include reporting the matter to an appropriate authority outside of the entity even when there is no legal or regulatory requirement to do so.⁴⁵

A104. Factors the auditor may consider in determining whether it is appropriate to report the matter to an appropriate authority outside the entity, may include:

- Any views expressed by the regulatory, enforcement, supervisory or other appropriate authority outside of the entity.
- Whether reporting the matter would be in the public interest.

⁴⁴ See, for example, paragraph AUST R114.3(a) of the Accounting Professional & Ethical Standards Board's *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) may permit the disclosure of confidential information when there is a legal or professional duty or right to disclose. Paragraph 114.3 A1(b)(iv) of the Code explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

⁴⁵ See, for example, paragraphs R360.19-R360.26 of the Code.

- The adequacy and timeliness of actions by management and, where appropriate those charged with governance, to address or mitigate the situation.

A105. Reporting going concern matters to an appropriate authority outside of the entity may involve complex considerations and professional judgements. In those circumstances, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action.

Draft

Illustrations of Independent Auditor’s Reports Related to Going Concern

- Illustration 1: An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: [Deleted by the AUASB. Refer [Aus] Illustration 2A].
- [Aus] Illustration 2A: An auditor’s report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial report about the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as going concern is adequate.
- Illustration 3: An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial report is adequate.
- Illustration 4: [Deleted by the AUASB. Refer [Aus] Illustration 4A].
- [Aus] Illustration 4A: An auditor’s report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial report is adequate.
- Illustration 5: [Deleted by the AUASB. Refer [Aus] Illustration 5A].
- [Aus] Illustration 5A: An auditor’s report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* containing a qualified opinion when the auditor has concluded that a material uncertainty exists and that the financial report is materially misstated due to inadequate disclosure.
- Illustration 6: [Deleted by the AUASB. Refer [Aus] Illustration 6A].
- [Aus] Illustration 6A: An auditor’s report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the financial report omits the required disclosures relating to the material uncertainty.
- [Aus] Illustration 7: An auditor’s report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* containing a disclaimer of opinion (limitation of scope) when the auditor has been unable to obtain sufficient appropriate audit evidence about the company’s ability to continue as a going concern.

Illustration 1 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Unmodified Opinion When No Material Uncertainty Exists

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600⁴⁶ does not apply).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board Limited’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under the law.

⁴⁶ See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Entity [or Other Appropriate Addressee]

Report on the Audit of the Financial Report⁴⁷

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information.

In our opinion, the accompanying financial report presents fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Entity as at 31 December 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

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

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ASA 720 – see Illustration 1 in Appendix 2 of ASA 720.]

⁴⁷ The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Auditing Standard ASA 570
Going Concern

Responsibilities of Management and Those Charged with Governance for the Financial Report⁴⁸

[Reporting in accordance with ASA 700 – see Illustration 1 in ASA 700.⁴⁹]

Auditor’s Responsibilities for the Audit of the Financial Report

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

Report on Other Legal and Regulatory Requirements

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

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate]

[Auditor Address]

[Date]

Draft

⁴⁸ Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁴⁹ Paragraphs 34 and 39 of ASA 700 require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial report and the auditor in relation to going concern.

Illustration 2 – An Auditor’s Report on a Financial Report of a Single Listed Company Prepared in Accordance With the *Corporations Act 2001* Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Report About the Significant Judgements Made by Management in Concluding That There is No Material Uncertainty Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of a listed company. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and under *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of directors’ responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.
- Management has disclosed information about significant judgements made in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the disclosures are adequate.
- The auditor has chosen to supplement the required statements in accordance with ASA 570 by referencing to the sections describing the respective responsibilities of the directors and of the auditor in relation to going concern.
- Key audit matters have been communicated in accordance with ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Report⁵⁰

Opinion

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

In our opinion, the accompanying financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate.

We draw attention to Note X in the financial report, which describes the uncertainties faced by the Company, the significant judgements made by management in assessing the Company's ability to continue as a going concern and the range of mitigating actions that have been deployed to address the effects on the Company's business activities.

⁵⁰ The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

Auditing Standard ASA 570
Going Concern

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ASA 570.]

Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern. Our responsibilities and the responsibilities of management with respect to going concern are described in the relevant sections of this report.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern referred to in the *Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ASA 701.]

Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ASA 720 – see Illustration 1 in Appendix 2 of ASA 720.]

Responsibilities of the Directors for the Financial Report⁵¹

[Reporting in accordance with ASA 700 – see Illustration 1 in ASA 700.⁵²]

Auditor's Responsibilities for the Audit of the Financial Report

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

Report on the Remuneration Report[#]

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

[Auditor's name and signature][†]

[Name of Firm]

[Auditor Address]

⁵¹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵² Paragraphs 34 and 39 of ASA 700 require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial report and the auditor in relation to going concern.

[#] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

[†] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324 AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

[Date]

Draft

Illustration 3 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Report Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by management of the entity in accordance with Australian Accounting Standards (a general purpose framework).
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the financial report is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under the law.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Entity [or Other Appropriate Addressee]

Report on the Audit of the Financial Report⁵³

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information.

In our opinion, the accompanying financial report presents fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Entity as at 31 December 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards.

Basis for Opinion

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

Material Uncertainty Related to Going Concern

We draw attention to Note X in the financial report, which indicates that the Entity incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Entity's current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Entity's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ASA 720 – see Illustration 1 in Appendix 2 of ASA 720.]

⁵³ The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Auditing Standard ASA 570
Going Concern

Responsibilities of Management and Those Charged with Governance for the Financial Report⁵⁴

[Reporting in accordance with ASA 700 – see Illustration 1 in ASA 700.⁵⁵]

Auditor’s Responsibilities for the Audit of the Financial Report

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

Report on Other Legal and Regulatory Requirements

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

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate]

[Auditor Address]

[Date]

Draft

⁵⁴ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵⁵ Paragraphs 34 and 39 of ASA 700 require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial report and the auditor in relation to going concern.

[Aus] Illustration 4A – An Auditor’s Report on a Financial Report of a Single Listed Company Prepared in Accordance With the *Corporations Act 2001* Containing an Unmodified Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and Disclosure in the Financial Report Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of a listed company. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by the directors of the entity in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of directors’ responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the financial report is adequate.
- Key audit matters have been communicated in accordance with ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Report⁵⁶

Opinion

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

In our opinion, the accompanying financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

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

Basis for Opinion

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

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

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

Material Uncertainty Related to Going Concern

We draw attention to Note X in the financial report, which indicates that the Company incurred a net loss of ZZZ during the year ended 30 June 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ASA 570.]

As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

⁵⁶ The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

Our opinion is not modified in respect of this matter.

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ASA 701.]

Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ASA 720 – see Illustration 1 in Appendix 2 of ASA 720.]

Responsibilities of the Directors for the Financial Report⁵⁷

[Reporting in accordance with ASA 700 – see Illustration 1 in ASA 700.⁵⁸]

Auditor's Responsibilities for the Audit of the Financial Report

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

Report on the Remuneration Report[#]

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

[Auditor's name and signature][†]

[Name of Firm]

[Auditor Address]

[Date]

⁵⁷ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵⁸ Paragraphs 34 and 39 of ASA 700 require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial report and the auditor in relation to going concern.

[#] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

[†] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324 AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

Draft

[Aus] Illustration 5A – An Auditor’s Report on a Financial Report of a Single Listed Company Prepared in Accordance With *Corporations Act 2001* Containing a Qualified Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and That the Financial Report Is Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of a listed company. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of the directors’ responsibility for the financial report in ASA 210.
- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board Limited’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. Note Y to the financial report discusses the magnitude of financing arrangements, the expiration and the total financing arrangements; however the financial report does not include discussion on the impact or the availability of refinancing or characterise this situation as a material uncertainty.
- The financial report is materially misstated due to the inadequate disclosure of the material uncertainty. A qualified opinion is being expressed because the auditor concluded that the effects on the financial report of this inadequate disclosure are material but not pervasive to the financial report.
- Key audit matters have been communicated in accordance with ASA 701.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the financial report also affects the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Report⁵⁹

Qualified Opinion

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

In our opinion, except for the incomplete disclosure of the information referred to in the *Basis for Qualified Opinion* section of our report, the accompanying financial report of ABC Company Ltd., is in accordance with the *Corporations Act 2001*, including:

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

Basis for Qualified Opinion

As discussed in Note Y, the Company's financing arrangements expire and amounts outstanding are payable on 19 March 20X2. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial report does not adequately disclose this matter.

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

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

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

Material Uncertainty Related to Going Concern

As described in the *Basis for Qualified Opinion* section of our report, a material uncertainty exists that has not been adequately disclosed in the financial report.

⁵⁹ The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

[#] Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

Auditing Standard ASA 570
Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ASA 720 – see Illustration 6 in Appendix 2 of ASA 720. The last paragraph of the other information section in Illustration 6 would be customised to describe the specific matter giving rise to the qualified opinion that also affects the other information.]

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section and in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ASA 701.]

Responsibilities of the Directors for the Financial Report⁶⁰

[Reporting in accordance with ASA 700 – see Illustration 1 in ASA 700.⁶¹]

Auditor's Responsibilities for the Audit of the Financial Report

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

Report on the Remuneration Report[†]

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

[Auditor's name and signature][§]

[Name of Firm]

[Auditor Address]

[Date]

⁶⁰ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

⁶¹ Paragraphs 34 and 39 of ASA 700 require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial report and the auditor in relation to going concern.

[†] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

[§] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

[Aus] Illustration 6A – An Auditor’s Report on a Financial Report of a Single Listed Company Prepared in Accordance With the *Corporations Act 2001* Containing an Adverse Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and the Financial Report Omits the Required Disclosures Relating to the Material Uncertainty

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of a listed company. The audit is not a group audit (i.e., ASA 600 does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of the directors’ responsibility for the financial report in ASA 210.
- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board Limited’s APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code includes additional independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists and the company is considering bankruptcy. The financial report omits the required disclosures relating to the material uncertainty. An adverse opinion is being expressed because the effects on the financial report of such omission are material and pervasive.
- ASA 701 applies; however, the auditor has determined that there are no key audit matters other than the matter described in the Basis for Adverse Opinion section.
- The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the adverse opinion on the financial report also affects the other information.
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Report⁶²

Adverse Opinion

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

In our opinion, because of the omission of the information mentioned in the *Basis for Adverse Opinion* section of our report, the accompanying financial report of ABC Company Ltd., is not in accordance with the *Corporations Act 2001* including:

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

Basis for Adverse Opinion

The Company's financing arrangements expired and the amount outstanding was payable on 30 June 20X1. The Company has been unable to conclude re-negotiations or obtain replacement financing and is considering filing for bankruptcy. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial report does not adequately disclose this fact.

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

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

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

Material Uncertainty Related to Going Concern

As described in the *Basis for Adverse Opinion* section of our report, a material uncertainty exists that has not been disclosed in the financial report.

⁶² The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*]

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the financial report is appropriate.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

Key Audit Matters

Except for the matter described in the *Basis for Adverse Opinion* section and in the *Material Uncertainty Related to Going Concern* section, we have determined that there are no other key audit matters to communicate in our report.

Other Information [or another title if appropriate such as "Information Other than the Financial Report and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ASA 720 – see Illustration 7 in Appendix 2 of ASA 720. The last paragraph of the other information section in Illustration 7 would be customised to describe the specific matter giving rise to the adverse opinion that also affects the other information.]

Responsibilities of the Directors for the Financial Report⁶³

[Reporting in accordance with ASA 700 – see Illustration 1 in ASA 700.⁶⁴]

Auditor's Responsibilities for the Audit of the Financial Report

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

Report on the Remuneration Report[†]

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

*[Auditor's name and signature]**

[Name of Firm]

[Auditor Address]

[Date]

⁶³ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁶⁴ Paragraphs 34 and 39 of ASA 700 require wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial report and the auditor in relation to going concern.

[†] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

* The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

[Aus] Illustration 7 – An Auditor’s Report on a Financial Report of a Single Listed Company Prepared in Accordance With the *Corporations Act 2001* Containing a Disclaimer of Opinion (Limitation of Scope) When the Auditor Has Been Unable to Obtain Sufficient Appropriate Audit Evidence About the Company’s Ability to Continue as a Going Concern

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- Audit of the financial report of a single listed company. The audit is not a group audit (i.e. ASA 600* does not apply).
- The financial report is prepared by the directors of the company in accordance with Australian Accounting Standards (a general purpose framework) and under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of the directors’ responsibility for the financial report in ASA 210.#
- The auditor is unable to obtain sufficient appropriate audit evidence about the company’s ability to continue as a going concern as the directors have refused to extend their going concern assessment up to the relevant period (limitation of scope).
- The auditor is not permitted to communicate key audit matters in accordance with ASA 705.†
- The auditor does not include an other information section in accordance with ASA 720.§
- In addition to the audit of the financial report, the auditor has other reporting responsibilities required under section 308(3C) of the *Corporations Act 2001*.

* See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

See ASA 210 *Agreeing the Terms of Audit Engagements*.

† See ASA 705, paragraph 29.

§ Paragraph A55 of ASA 720, *The Auditor’s Responsibilities Relating to Other Information* requires the auditor not to include an other information section when the auditor issues a disclaimer of opinion on the financial report in accordance with ASA 705.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Audit of the Financial Report[‡]

Disclaimer of Opinion

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

We do not express an opinion on the accompanying financial report of the Company. Because of the significance of the matter described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on this financial report.

Basis for Disclaimer of Opinion

The Company's financing arrangements expired and the amount outstanding was payable on 30 June 20X1. The Company has been unable to conclude re-negotiations to obtain replacement financing. The directors have refused to extend their assessment of the Company's ability to continue as a going concern beyond 30 September 20X1 given the uncertainty of obtaining suitable replacement financing. We have been unable to obtain alternative evidence which would provide sufficient appropriate audit evidence as to whether the Company may be able to obtain such financing, and hence remove significant doubt of its ability to continue as a going concern within twelve months of the date of this auditor's report.

We are unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Responsibilities of the Directors for the Financial Report

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

Auditor's Responsibilities for the Audit of the Financial Report

[Reporting in accordance with ASA 705 – see [Aus] Illustration 5 in ASA 705.]

Report on the Remuneration Report[#]

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

[Auditor's name and signature][#]

[‡] The sub-title "Report on the Audit of the Financial Report" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

[#] The Report on the Remuneration Report is an example of "Other Reporting Responsibilities"—refer paragraphs 42-44 of ASA 700. Any additional "Other Reporting Responsibilities" that the auditor needs to address will also be included in a separate section of the auditor's report. Under paragraph 42 of ASA 700, the sub-title "Report on Other Legal and Regulatory Requirements" or other sub-title as appropriate to the section is used.

[#] The auditor is required to sign the auditor's report in both their own name and the name of their firm [section 324AB(3) of the *Corporations Act 2001*] or the name of the audit company [section 324AD(1) of the *Corporations Act 2001*], as applicable.

Auditing Standard ASA 570
Going Concern

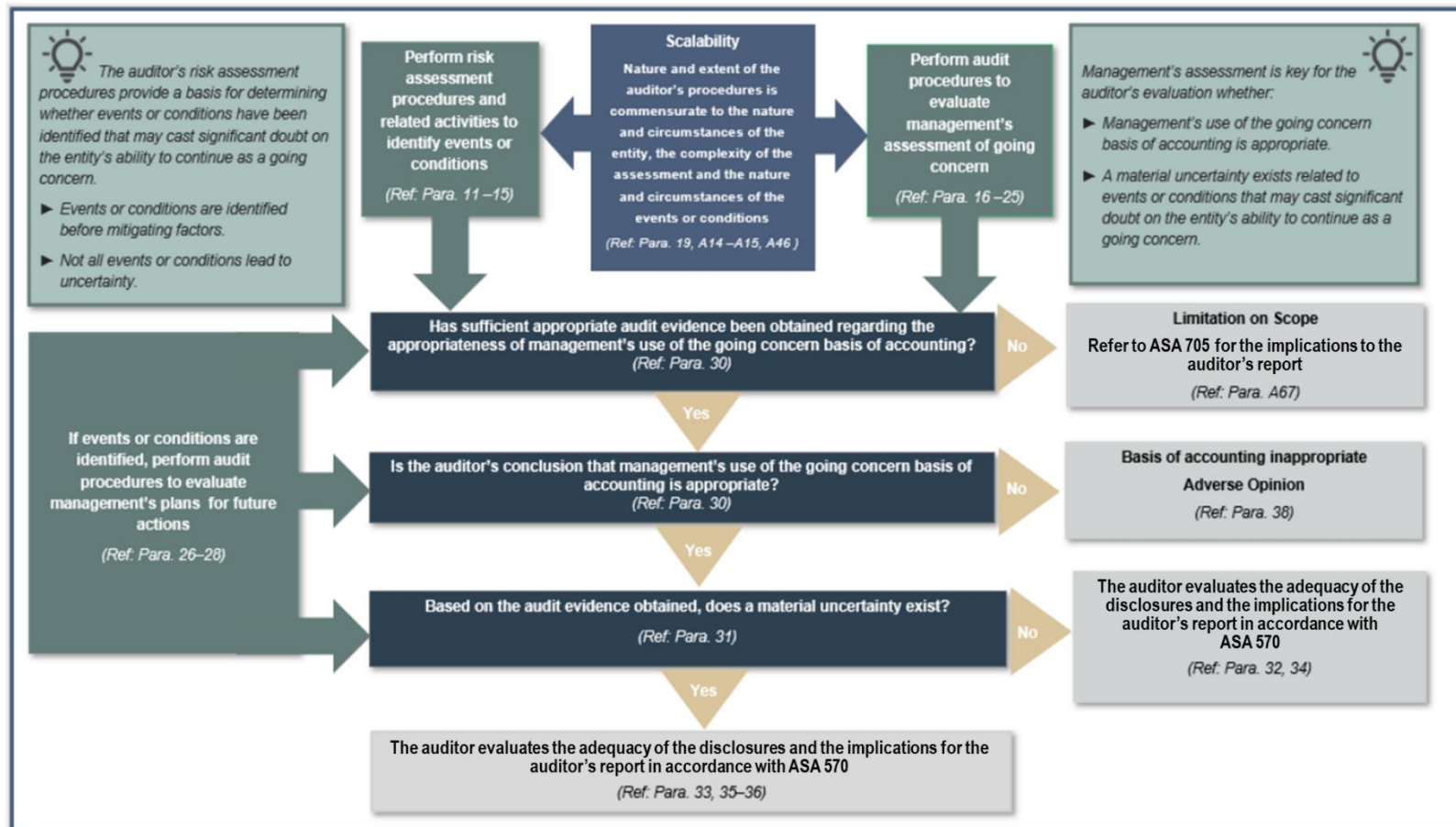
[Name of Firm]

[Date of the auditor's report]

[Auditor's Address]

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Auditor’s Decision-Making Process for Going Concern



Note: The chart depicts a walkthrough of the auditor’s decision-making process for going concern, rather than the audit process itself. The dark blue boxes highlight the auditor’s decisions in respect of concluding whether the going concern basis of accounting is appropriate and whether a material uncertainty related to going concern exists.

ASA 570
(May 2025)

Explanatory Statement

ASA 570 Going Concern and ASA 2025-5 Amendments to Australian Auditing Standards

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

Draft



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 570 and ASA 2025-5

The AUASB issues Auditing Standard ASA 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing Standards* (ASA 570) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). 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 (FRC), the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

The Auditing Standard conforms with ISA 570 (*Revised 2024*), *Going Concern* issued by the International Auditing and Assurance Standards Board (IAASB) and the IAASB's 'Conforming and Consequential Amendments Arising from ISA 570 (*Revised 2024*)'.

Purpose of Auditing Standard ASA 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing Standards*

The purpose of ASA 570 is to specify the responsibilities of the auditor of a financial report relating to going concern and the implications for the auditor's report on that financial report. ASA 570 replaces the current ASA 570 *Going Concern* issued by the AUASB in December 2015 (as amended to March 2023). ASA 2025-5 *Amendments to Australian Auditing Standards* includes the conforming and consequential amendments to other Auditing Standards as a result of changes made in the revised ASA 570.

Main Features

ASA 570 contains minor changes from ISA 570 (*Revised 2024*), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Operative Date

ASA 570 *Going Concern* is operative for financial reporting periods beginning on or after 15 December 2026.

Process of making Australian Auditing Standards

The FRC's Strategic Direction to the AUASB, *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 ISAs of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing ASA 570

The AUASB has consulted publicly as part of its due process in developing ASA 570, by exposing the IAASB's exposure draft of the propose revised ISA 570 in Australia, along with an associated Australian Explanatory Memorandum. The exposure period was 100 days.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the revised ASA 570.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing Standards* and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to these standards.

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunsetting 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 IAASB. The AUASB's Standards are exempt from sunsetting because a more stringent review process than sunsetting 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 sunsetting 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 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing Standards***

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 is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). 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*.

Purpose of Auditing Standard ASA 570

The purpose of the Auditing Standard represents the Australian equivalent of ISA 570 (Revised 2024), *Going Concern* and will replace the current ASA 570 issued by the AUASB in December 2015 (as amended to March 2023). *ASA 2025-5 Amendments to Australian Auditing Standards* includes the conforming and consequential amendments to other Auditing Standards as a result of changes to ASA 570.

Main Features

This Auditing Standard contains differences from the ISA 570 (Revised 2024), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Human Rights Implications

These Auditing 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.

May 2025

Basis for Conclusions ***ASA 570 Going Concern and ASA 2025-5*** ***Amendments to Australian Auditing*** ***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 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing Standards*

Basis for Conclusions ASA 570 *Going Concern* and ASA 2025-5 *Amendments to Australian Auditing 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 570 or ASA 2025-5.

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 570 Going Concern and ASA 2025-5 Amendments to Australian Auditing Standards

Background

1. In accordance with its mandates 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 has issued ASA 570. ASA 570 is consistent with ISA 570 (Revised 2024), *Going Concern*, issued by the IAASB in April 2025. Refer paragraphs 10-11 of this Basis of Conclusions document for further detail on the compelling reason amendments.
3. In March 2022, the IAASB approved a project proposal to undertake certain targeted actions to revise extant ISA 570 (Revised). The project objectives that support the public interest included enhancing or clarifying extant ISA 570 (Revised) to:
 - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
 - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
4. The IAASB released an exposure draft of proposed revised ISA 570 in April 2023 and in May 2023 the AUASB exposed the IAASB exposure draft to gather feedback from Australian stakeholders to inform its submission to the IAASB. Comments letters from stakeholders are available on the AUASB website.
5. The AUASB also sought input by hosting a series of virtual roundtable meeting with stakeholders representing assurance providers from medium and large audit firms, the public sector and the professional accounting bodies across Australia.
6. The comment period closed on 14 August 2023. The AUASB received written comment letters from:
 - [Nexia Australia](#)
 - [Pitcher Partners](#)
 - [Chartered Accountants Australia and New Zealand](#)
 - [CPA Australia](#)
 - [Deloitte Touche Tohmatsu Australia](#)
 - [Ernst & Young Australia](#)

7. The AUASB considered all submissions received and provided a [written submission to the IAASB](#) in August 2023.
8. The AUASB monitored the development of ISA 570 to ensure that the AUASB's issues raised were appropriately addressed. Further details regarding the development of ISA 570 and how the IAASB addressed feedback on their exposure draft can be found in the [ISA 570 Basis for Conclusions](#) on the IAASB's website.

Substantive Comments raised by Australian Respondents on Exposure

9. The AUASB received feedback from respondents on the Australian exposure of ISA 570 with the substantive comments included in the submission to the IAASB relating to:
 - (a) Financial reporting requirements;
 - (b) Evaluation of management's assessment of going concern; and
 - (c) Enhanced transparency in the auditor's report.

The AUASB included these matters in its submission to the IAASB. The Appendix details substantive feedback received from Australian stakeholders and how those matters have been addressed in the final ISA 570.

Compelling reasons assessment

10. The adoption of international standards and any changes to adopted standards are governed by the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy). The policies and procedures incorporate "compelling reasons" tests which must be met to support changes to the international standards. Changes are made only when the AUASB is satisfied that there are persuasive reasons to do so. Further to paragraph 1 of this Basis of Conclusions document, compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
11. The AUASB has made the following compelling reason amendments upon adoption of ISA 570 in Australia as ASA 570:
 - (a) Including a diagram of the auditor's decision-making process for going concern, extracted from the IAASB's Basis for Conclusions of the revised ISA. The AUASB decided to include an updated version of the going concern diagram in extant ASA 570 as an appendix to ASA 570. This diagram provides a useful summary for auditors on the overall application of the standard.
 - (b) Removing the optional sub-heading "No material uncertainty exists" included within the example auditor's reports as it was considered that this may lead to inconsistencies in practice and confusion in the market.
 - (c) Amending the example auditor's reports for *Corporations Act 2001* requirements..
12. The revised ASA 570 includes a reminder paragraph carried over from extant ASA 570 that the opinion by the auditor of a *Corporations Act 2001* financial report covers the solvency statement made by the directors in the director's declaration that forms part of the financial report.

Conclusion

13. The AUASB voted to approve and issue ASA 570 and ASA 2025-5 on 14 May 2025.
14. In reaching its conclusions the AUASB considered:

- (a) all stakeholder feedback;
- (b) the IAASB's due process and consideration as to whether ISA 570 should be re-exposed; and
- (c) whether the amendments made to ISA 570 by the IAASB since exposure were in response to submissions from stakeholders on the exposure draft, have not changed the fundamental approach and principles on which the standard is based, and did not require the re-expose of the standard.

* * *

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Appendix

How the substantive comments raised in the AUASB submission to the IAASB have been addressed in the final ISA 570

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
1	<p><i>Changes to IFRS accounting standards</i></p> <p>The AUASB recommended that the IAASB continue to liaise with the IASB on amendments to IFRS accounting standards to cover financial report disclosures currently deriving from extant ISA 570/ASA 570.</p>	<p><i>Lack of action by IASB is not an impediment to continuing the existing requirements.</i></p> <p>The IAASB has encouraged the IASB to amend its standards. In the absence of change, the IAASB and AUASB sought to work within the confines of the existing accounting standards requirements.</p>
2	<p><i>Evaluating management's assessment</i></p> <p>The requirements in ED-570 should articulate the extent of work effort required by the auditor in circumstances where the entity has not prepared a detailed assessment of going concern, and in instances where the entity is clearly a going concern. Specific substantive comments included:</p> <ul style="list-style-type: none"> ○ The requirement for the auditor to design and perform audit procedures in all circumstances may be seen as inconsistent with <i>ISA 315 Identifying and Assessing the Risks of Material Misstatement</i>. ○ In circumstances where the auditor (and TCWG) has not identified any events or conditions that may cast significant doubt, the auditor should be able to use their professional judgment to determine the extent of work required. 	<p><i>Recommendations have substantively been addressed by the IAASB.</i></p> <p>A clarification that an evaluation of management's assessment is always required but application material recognises that the nature, timing and extent of work is appropriate to the circumstances of an engagement – paragraph 17 and A35.</p> <p>Paragraph 19 (the work effort paragraph around evaluating management's assessment) has been amended as follows:</p> <ul style="list-style-type: none"> ○ To clarify that the nature and extent of the auditor's procedures is proportionate to the results of risk assessment procedures. ○ The requirement for assumptions now includes an evaluation only for <i>significant</i> assumptions. ○ Scalability examples are included at application material A46. <p>As it relates to management NOT performing an assessment, the final ISA 570 clarifies that it is a requirement for the auditor to request management to make an assessment. Application material A33 has been included to support the requirement by explaining that a lack of assessment may be a limitation on the audit evidence the auditor is able to obtain. The IAASB confirmed in its deliberations that management's assessment is fundamental to support management's assertion (whether explicit or implicit) that it is appropriate to prepare the financial statements using the going concern basis of accounting.</p>

Basis for Conclusions ASA 570 Going Concern and ASA 2025-5 Amendments to Australian Auditing Standards

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
3	<p><i>Definition - Material Uncertainty</i> Recommended revising the definition of ‘Material Uncertainty (Related to Going Concern)’ (MURGC) by:</p> <ul style="list-style-type: none"> ○ Removing reference to ‘disclosures’ – conclusion around material uncertainty preceded consideration of adequacy of disclosures. ○ Including reference to the auditor’s evaluation of management’s plans for future actions. ○ Moving application material explaining ‘may cast significant doubt’ to the definition. 	<p><i>These recommendations have all been addressed by the IAASB in the revised definition.</i></p> <p>The revised MURGC definition no longer refers to ‘disclosures’. It now includes a reference to management’s plans for future actions and explains the term ‘may cast significant doubt’:</p> <p><i>Material Uncertainty (Related to Going Concern)—An uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. “May cast significant doubt” is used to refer to circumstances where the magnitude of the potential impact and likelihood of occurrence of the identified events or conditions are such that, unless management’s plans for future actions mitigate their effects, the entity may be unable to realize its assets and discharge its liabilities in the normal course of business and continue its operations for the foreseeable future.</i></p>
4	<p><i>Management’s plans for future action</i> The AUASB supported the requirements in relation to future action, but encouraged further application material to assist auditors on:</p> <ul style="list-style-type: none"> ○ Gathering audit evidence on management’s intent and ability where there is insufficient documentation and detailed plans ○ The nature of work and the resulting impact when written confirmations from third parties cannot be obtained ○ Procedures that may be performed when information provided by third parties is for periods shorter than the auditor’s going concern assessment period 	<p><i>This point has been partly addressed by the IAASB. The AUASB submission encouraged additional guidance, rather than raising concern with the requirements themselves.</i></p> <p>There is no requirement to obtain written evidence about intent, recognising differences across jurisdictions in terms of the legality and enforceability of such written confirmations. Instead, there is application material included in paragraphs A63, A65 and A97 to address the range of considerations relevant to requesting written evidence from supporting parties about their intent to provide or maintain the necessary financial support.</p> <p>To aid practice, paragraph A48 has been expanded to recognise that the nature and extent of the audit evidence to be obtained about management’s ability and intent is a matter of professional judgment based on the nature and the circumstances of the entity and the engagement.</p>
5.1	<p><i>Transparency in the auditor’s report Heading</i> The heading of the section of the auditor’s report on going concern should clearly indicate where there are issues in relation to going concern to assist users of the financial statements.</p>	<p><i>This recommendation has been addressed by the IAASB.</i></p> <p>Example reports included in ISA 570 indicate where there is no MURGC:</p> <ul style="list-style-type: none"> ○ a heading ‘Going Concern’ (consistent with paragraph 34 of ISA 570) with a subheading (this subheading is not required, it is optional) ‘No Material Uncertainty Related to Going Concern’ <p>Example reports included in ISA 570 indicate where there is a MURGC:</p> <ul style="list-style-type: none"> ○ a heading ‘Material Uncertainty Related to Going Concern’ (consistent with paragraph 35 of ISA 570)

Basis for Conclusions ASA 570 Going Concern and ASA 2025-5 Amendments to Australian Auditing Standards

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
5.2	<p><i>Explicit statement</i></p> <p>Ensure that the proposed explicit statement is not misinterpreted as a separate opinion on going concern and as guaranteeing the future viability of the entity.</p>	<p><i>This matter has been addressed by the IAASB.</i></p> <p>Paragraph 34 of ISA 570 has been amended to recognise that the explicit statement is in the context of the financial report as a whole and that the conclusions are not a guarantee as to the entity's ability to continue as a going concern.</p>
5.3	<p><i>Accounting Standards – disclosures</i></p> <p>The Accounting Standards do not include a specific requirement to disclose events or conditions that cast significant doubt on the entity's ability to continue as a going concern unless management's conclusions involve significant judgment.</p>	<p><i>This matter has been addressed by the IAASB.</i></p> <p>The IAASB discussed that while 'close call' situations remain undefined by the IFRS Accounting Standards, education material issued by the IFRS Foundation in January 2021 clarifies circumstances which constitute a 'close call' situation (i.e., when significant judgments are made by management in concluding that there is no material uncertainty). The educational material also refers to a 2014 IASB Interpretations Committee Agenda Decision that explains when significant judgments are made by management in concluding that there is no material uncertainty, paragraph 122 of IAS 1 would apply and require disclosures from management in the financial statements of those significant judgments.</p> <p>The IAASB leveraged this guidance to clarify the threshold that triggers the additional communication about going concern for audits of listed entities when no material uncertainty exists. The IAASB replaced the threshold 'events or conditions' with 'significant management judgments.' [paragraph 34(b)]</p> <p>Paragraph A1 of ISA 570 now links to ISA 701 recognising that significant judgments were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, are by their nature KAMs.</p>
5.4	<p><i>Differential reporting</i></p> <p>On balance, the proposed explicit statement about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty has been identified should apply to all audits of financial statements, not just listed entities. If this requirement is not extended beyond listed entities, then the standard should explicitly encourage voluntary application.</p>	<p><i>This matter has not been addressed by the IAASB.</i></p> <p><i>The comment in the AUASB submission was on an 'on balance' basis. The Office of the AUASB does not consider this matter to be reason enough not to adopt ISA 570 in Australia, particularly as the performance obligations of ISA 570 are for all engagements, the differential requirements are for reporting only. The Office of the AUASB also does not consider that it is necessary to make a specific Australian amendment on the basis that an auditor can always elect to disclose more within the auditor's report than required by the Auditing Standards. Any such expansion would put a more onerous burden on Australian auditors compared to other jurisdictions, leading to inconsistencies with global expectations.</i></p> <p>The IAASB did consider this matter, however, in the interests of scalability and as supported generally by stakeholders, the IAASB did not extend this requirement to all entities. An expansion of differential</p>

Basis for Conclusions ASA 570 Going Concern and ASA 2025-5 Amendments to Australian Auditing Standards

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
		reporting to PIEs will be considered at later stage as part of a revisit to the PIE Track 2 project.
5.5	<p><i>Linkage with ISA 701</i></p> <p>Paragraph A1 of ED-570 and changes to ISA 700 will clarify that for listed entities, the going concern section of the auditor’s report, and not a key audit matter, should cover instances where events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but the auditor concludes that no material uncertainty exists. Paragraph 15 of ISA 701 should also be revised to clarify that communicating a key audit matter in the auditor’s report is not a substitute for reporting in accordance with ED-570.</p>	<p><i>This matter has been addressed by the IAASB.</i></p> <p>Consequential amendments to paragraph 15 of ISA 701 clarify this position:</p> <p><u>‘The following are, by their nature, key audit matters: Aa matter giving rise to a modified opinion in accordance with ISA 705 (Revised) , or, in accordance with ISA 570 (Revised 2024) or, a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern or when significant judgments were made by management in concluding that there is no material uncertainty.in accordance with ISA 570 (Revised), are by their nature key audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor’s report and the requirements in paragraphs 13–14 do not apply. Rather, the auditor shall:</u></p> <ul style="list-style-type: none"> (a) Report on these matter(s) in accordance with the applicable ISA(s); and (b) Include a reference to the Basis for Qualified (Adverse) Opinion, or the Material Uncertainty Related to Going Concern <u>or the Going Concern section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)’</u>

ASA 2025-5
(May 2025)

Auditing Standard ASA 2025-5 *Amendments to Australian Auditing Standards*

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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Draft

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PREFACE

Reasons for Issuing ASA 2025-5

The AUASB issues Auditing Standard ASA 2025-5 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). 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 (FRC), 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 Auditing Standard makes amendments to the requirements and application and other explanatory material and appendices of the following Auditing Standards:

- ASA 210 *Agreeing the Terms of Audit Engagements* (Issued 27 October 2009 and amended to 15 March 2023)
- ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (Issued 10 March 2021 and amended to 27 April 2022)
- ASA 230 *Audit Documentation* (Issued 27 October 2009 and amended to 27 April 2022)
- ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* (Issued 30 May 2017 and amended to 27 April 2022)
- ASA 260 *Communication With Those Charged with Governance* (Issued 1 December 2015 and amended to 28 January 2025)
- ASA 315 *Identifying and Assessing the Risks of Material Misstatement* (Issued 1 February 2020 and amended to 27 April 2022)
- ASA 450 *Evaluation of Misstatements Identified during the Audit* (Issued 27 October 2009 and amended to 30 May 2017)
- ASA 510 *Initial Audit Engagements-Opening Balances* (Issued 27 October 2009 and amended to 15 March 2023)
- ASA 540 *Auditing Accounting Estimates and Related Disclosures* (Issued 5 December 2018 and amended to 5 November 2021)
- ASA 560 *Subsequent Events* (Issued 27 October 2009 and amended to 5 November 2021)
- ASA 580 *Written Representations* (Issued 27 October 2009 and amended to 15 March 2023)
- ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* (Issued 13 May 2022 and amended to 16 December 2024)
- ASA 610 *Using the Work of Internal Auditors* (Issued 11 November 2013 and amended to 27 April 2022)

Auditing Standard ASA 2025-5
Amendments to Australian Auditing Standards

- ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 28 January 2025)
- ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 27 April 2022)
- ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 15 March 2023)
- ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 15 March 2023)
- ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial Reports* (Issued 27 October 2009 and amended to 15 March 2023)
- ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Issued 1 December 2015 and amended to 28 January 2025)
- ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued 26 July 2016 and amended to 7 September 2021)

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to ISA 570 (Revised), *Going Concern*. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2025-5 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: 14 May 2025

D Niven
Chair - AUASB

Draft

Conformity with International Standards on Auditing

This Auditing Standard makes amendments to other auditing standards that are consistent with changes made by the International Auditing and Assurance Standards Board to the equivalent International Standard on Auditing.

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AUDITING STANDARD ASA 2025-5

Amendments to Australian Auditing Standards

Application

1. This Auditing 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 Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

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

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to other Auditing Standards. The amendments are consequential and conforming changes arising from the issuance of a revised ASA 570 *Going Concern*.

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) ASA 210 *Agreeing the Terms of Audit Engagements* (Issued 27 October 2009 and amended to 15 March 2023)
 - (b) ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (Issued 10 March 2021 and amended to 27 April 2022)
 - (c) ASA 230 *Audit Documentation* (Issued 27 October 2009 and amended to 27 April 2022)
 - (d) ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* (Issued 30 May 2017 and amended to 27 April 2022)
 - (e) ASA 260 *Communication With Those Charged with Governance* (Issued 1 December 2015 and amended to 28 January 2025)
 - (f) ASA 315 *Identifying and Assessing the Risks of Material Misstatement* (Issued 1 February 2020 and amended to 27 April 2022)
 - (g) ASA 450 *Evaluation of Misstatements Identified during the Audit* (Issued 27 October 2009 and amended to 30 May 2017)

- (h) ASA 510 *Initial Audit Engagements-Opening Balances* (Issued 27 October 2009 and amended to 15 March 2023)
- (i) ASA 540 *Auditing Accounting Estimates and Related Disclosures* (Issued 5 December 2018 and amended to 5 November 2021)
- (j) ASA 560 *Subsequent Events* (Issued 27 October 2009 and amended to 5 November 2021)
- (k) ASA 580 *Written Representations* (Issued 27 October 2009 and amended to 15 March 2023)
- (l) ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* (Issued 13 May 2022 and amended to 16 December 2024)
- (m) ASA 610 *Using the Work of Internal Auditors* (Issued 11 November 2013 and amended to 27 April 2022)
- (n) ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 28 January 2025)
- (o) ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 27 April 2022)
- (p) ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 15 March 2023)
- (q) ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 1 March 2023)
- (r) ASA 710 *Comparative Information-Corresponding Figures and Comparative Financial Reports* (Issued 27 October 2009 and amended to 15 March 2023)
- (s) ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Issued 1 December 2015 and amended to 28 January 2025)
- (t) ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued 26 July 2016 and amended to 7 September 2021)

Definitions

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

Amendments to Auditing 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 210

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

The form and content of the audit engagement letter may vary for each entity. Information included in the audit engagement letter on the auditor's responsibilities may be based on ASA 200.¹⁷ Paragraphs 6(b) and 12 deal with the description of the responsibilities of management. In addition to including the matters required by paragraph 10, an audit engagement letter may make reference to, for example:

- Elaboration of the scope of the audit, including reference to applicable legislation, regulations, Australian Auditing Standards, and ethical and other pronouncements of professional bodies to which the auditor adheres.
- The form of any other communication of results of the audit engagement.
- ~~The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with ASA 701.¹⁸~~
- The fact that because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.
- ...
- A request for management to acknowledge receipt of the audit engagement letter and to agree to the terms of the engagement outlined therein.
- The expectation that management will provide a going concern assessment that covers a period of at least twelve months from the date of approval of the financial report.¹⁹
- The requirements for the auditor to describe in the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ASA 570.²⁰
- The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with ASA 701.²¹

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

Example of an Audit Engagement Letter

...

[The responsibilities of the auditor]

We will conduct our audit in accordance with Australian Auditing Standards. Those standards require that we comply with ethical requirements. As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ...

¹⁹ See ASA 570 *Going Concern*, paragraph 21.

²⁰ See ASA 570 paragraphs 34(b)(ii) and 35(b).

²¹ See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

- Conclude and report on the appropriateness of management’s 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 Company’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 the related disclosures in the financial report or, if such disclosures are inadequate, 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 Company to cease to continue as a going concern.

• ...

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance]²⁵ acknowledge and understand that they have responsibility:

(a) ...

(c) To provide us with:²⁷

- (i) Access to all information of which the directors and management are aware that is relevant to the preparation of the financial report such as records, documentation and other matters;
- (ii) Additional information that we may request from the directors and management for the purpose of the audit, such as going concern assessment that covers a period of at least twelve months from the date of approval of the financial report;
- (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence; and

Aus (d) ...

Amendments to ASA 220

11. Existing paragraph A92 is amended to read as follows:

The engagement partner exercises professional judgement in identifying the areas of significant judgement made by the engagement team. The firm’s policies or procedures may specify certain matters that are commonly expected to be significant judgements. Significant judgements in relation to the audit engagement may include matters related to the overall audit strategy and audit plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team, for example:

- Matters related to planning the engagement, such as matters related to determining materiality.
- ...
- The proposed audit opinion and matters to be communicated in the auditor’s report, for example, key audit matters, or matters related to going concern ~~“Material Uncertainty Related to Going Concern”~~ paragraph.

Amendments to ASA 230

12. Existing paragraph A10 is amended to read as follows:

Some examples of circumstances in which, in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgement include, where the matters and judgements are significant:

- The rationale for the auditor’s conclusion when a requirement provides that the auditor ‘shall consider’ certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the auditor’s conclusion on the reasonableness of areas of subjective judgements made by management, for example management’s judgements in relation to going concern basis of accounting.⁷
- The basis for the auditor’s evaluation of whether an accounting estimate and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.
- ...

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

Specific Audit Documentation Requirements in Other Australian Auditing Standards

This appendix identifies paragraphs in other Australian Auditing Standards that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in Australian Auditing Standards.

- ASA 210 *Agreeing the Terms of Audit Engagements* – paragraphs 10-12
- ...
- ASA 550 *Related Parties* – paragraph 28
- ASA 570 *Going Concern* – paragraph 44
- ASA 600 *Special Considerations—Audits of Group Financial Reports (Including the Work of Component Auditors)* – paragraph 59
- ...

Amendments to ASA 250

14. Existing paragraph 29 is amended to read as follows:

If the auditor has identified or suspects non-compliance with laws and regulations, the auditor shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A28–A34)

- (a) Require the auditor to report to an appropriate authority outside the entity.
- (b) Establish responsibilities or rights under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

15. Existing paragraph A13 is amended to read as follows:

⁷ See ASA 570 *Going Concern*.

Certain other laws and regulations may need particular attention by the auditor because they have a fundamental effect on the operations of the entity (as described in paragraph 6(b)). Non-compliance with laws and regulations that have a fundamental effect on the operations of the entity may cause the entity to cease operations, or call into question the entity's ability to continue ~~continuance~~ as a going concern.¹² For example, non-compliance with the requirements of the entity's license or other entitlement to perform its operations could have such an impact (e.g., for a bank, non-compliance with capital or investment requirements). There are also many laws and regulations relating principally to the operating aspects of the entity that typically do not affect the financial report and are not captured by the entity's information systems relevant to financial reporting.

Amendments to ASA 260

16. Existing paragraph A21 is amended to read as follows:

Significant difficulties encountered during the audit may include such matters as:

- ...
- Restrictions imposed on the auditor by management.
- Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.¹³

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor's opinion.¹³

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

Circumstances in which the auditor is required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the Australian Auditing Standards, and for which communication with those charged with governance is required, include when, for example:

- The auditor expects to modify the opinion in the auditor's report in accordance with ASA 705.¹⁶
- ...

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

See ASA 570 ~~Going Concern~~, paragraph ~~42(f)~~25(d).

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

This appendix identifies paragraphs in ASQM 1³¹ and other Australian Auditing Standards that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in Australian Auditing Standards.

- ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* – paragraph 34(e)
- ...

¹³ See ASA 570 *Going Concern*, paragraph 42(e).

- ASA 570 Going Concern – paragraphs ~~41-42-25~~
- ...

Amendments to ASA 315

20. Existing footnote 38 in paragraph A138 is amended to read as follows:

See ASA 570, paragraphs ~~A2519–20~~.

21. Existing paragraph A195 is amended to read as follows:

Risks of material misstatement at the financial report level refer to risks that relate pervasively to the financial report as a whole, and potentially affect many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the class of transactions, account balance or disclosure level (e.g., risk of management override of controls). Rather, they represent circumstances that may pervasively increase the risks of material misstatement at the assertion level. The auditor's evaluation of whether risks identified relate pervasively to the financial report supports the auditor's assessment of the risks of material misstatement at the financial report level. In other cases, a number of assertions may also be identified as susceptible to the risk, and may therefore affect the auditor's risk identification and assessment of risks of material misstatement at the assertion level.

Example:

The entity faces operating losses and liquidity issues and is reliant on funding that has not yet been secured. In such a circumstance, the auditor may ~~determine~~ conclude that management's use of the going concern basis of accounting gives rise to a risk of material misstatement at the financial report level. In this situation, the accounting framework may need to be applied using a liquidation basis, which would likely affect all assertions pervasively.

22. Existing paragraph 4 of Appendix 1 is amended to read as follows:

A business risk may have an immediate consequence for the risk of material misstatement for classes of transactions, account balances, and disclosures at the assertion level or the financial report level. For example, the business risk arising from a significant fall in real estate market values may increase the risk of material misstatement associated with the valuation assertion for a lender of medium-term real estate backed loans. However, the same risk, particularly in combination with a severe economic downturn that concurrently increases the underlying risk of lifetime credit losses on its loans, may also have a longer-term consequence. The resulting net exposure to credit losses may indicate an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. If so, this could have implications for management's, and the auditor's, conclusion as to the appropriateness of the entity's use of the going concern basis of accounting, and ~~determination~~ conclusion as to whether a material uncertainty exists. Whether a business risk may result in a risk of material misstatement is, therefore, considered in light of the entity's circumstances. Examples of events and conditions that may give rise to the existence of risks of material misstatement are indicated in **Appendix 2**.

Amendments to ASA 450

23. Existing paragraph A17 is amended to read as follows:

In addition, each individual misstatement of a qualitative disclosure is considered to evaluate its effect on the relevant disclosure(s), as well as its overall effect on the financial report as a whole. The determination of whether a misstatement(s) in a qualitative disclosure is material, in the context of the applicable financial reporting framework and the specific circumstances of the entity, is a matter that involves the exercise of professional judgement. Examples where such misstatements may be material include:

- ...
- The omission of information about the events or circumstances that have led to an impairment loss (e.g., a significant long-term decline in the demand for a metal or commodity) in an entity with mining operations.
- Inadequate disclosures about the entity's ability to continue as a going concern.¹³
- ...

Amendments to ASA 510

Amendments to ASA 510 Appendix 1: Illustration 1 and [Aus] Illustration 2A

24. The ninth point of Illustration 1 is amended to read as follows:

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ASA 570.⁹

25. Illustration 1 is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

Other Matter

...

26. The ninth point of [Aus] Illustration 2A is amended to read as follows:

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern~~ in accordance with ASA 570.¹⁵

¹³ See ASA 570 *Going Concern*, paragraphs 32-33.

27. [Aus] Illustration 2A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

Other Matter

...

Amendments to ASA 540

28. Existing paragraph A75 is amended to read as follows:

In some cases, the estimation uncertainty relating to an accounting estimate may affect the auditor's professional judgement as to whether a material uncertainty exists related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern. ASA 570⁴⁹ establishes requirements and provides guidance in such circumstances.

29. Footnote 61 is inserted in existing paragraph A135 as follows:

Indicators of possible management bias may affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate. The auditor may also need to consider the implications for other aspects of the audit,⁶¹ including the need to further question the appropriateness of management's judgements in making accounting estimates. Further, indicators of possible management bias may affect the auditor's conclusion as to whether the financial report as a whole is free from material misstatement, as discussed in ASA 700.⁶¹

Amendments to ASA 560

30. Existing paragraph A9 is amended to read as follows:

In enquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred that might affect the financial report, the auditor may enquire as to the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific enquiries about the following matters:

- Whether new commitments, borrowings or guarantees have been entered into.
- ...
- Whether any unusual accounting adjustments have been made or are contemplated.

⁶¹ See ASA 570, paragraphs A68-A71.

- Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial report, as would be the case, for example, if such events call into question the appropriateness of management's use of the validity of the going concern basis of accounting in the preparation of the financial report assumption.
- Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial report.
- ...

Amendments to ASA 580

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

List of Australian Auditing Standards Containing Requirements for Written Representations

...

ASA 560 *Subsequent Events* – paragraph 9

ASA 570 *Going Concern* – paragraphs 39–40–16(e)

ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial Reports* – paragraph 9

...

Amendments to ASA 600

32. The eighth point of [Aus] Illustration 1A of Appendix 1 is amended to read as follows:

- | |
|--|
| <ul style="list-style-type: none">• Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570. |
|--|

33. [Aus] Illustration 1A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Group's ability to continue as a going concern.

...

Amendments to ASA 610

34. Existing paragraph A19 is amended to read as follows:

Since the external auditor has sole responsibility for the audit opinion expressed, the external auditor needs to make the significant judgements in the audit engagement in accordance with paragraph 18. Significant judgements include the following:

- Assessing the risks of material misstatement.
- Evaluating the sufficiency of tests performed.
- Evaluating the appropriateness of management's use of the going concern ~~assumption~~basis of accounting.
- Evaluating significant accounting estimates.
- ...

Amendments to ASA 700

35. Existing paragraph 29 is amended to read as follows:

~~Where applicable, the~~ auditor shall report in accordance with ASA 570.¹³

36. Existing footnote 13 in paragraph 29 is amended to read as follows:

See ASA 570 *Going Concern*, paragraphs ~~34-38~~21-23.

37. Existing paragraph 50 is amended to read as follows:

If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to Australian Auditing Standards only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70-A71)

- (a) A title.
- (b) ...
- (f) Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements in paragraphs ~~34-35 and 36(c)-22~~ of ASA 570.
- (g) Where applicable, a Basis for Qualified (~~or Adverse~~) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph ~~35(b)-23~~ of ASA 570.
- (h) ...

Amendments to ASA 700 Appendix 1: [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3 and Illustration 4

38. The sixth point of [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3 and Illustration 4 are amended to read as follows:

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern~~ in accordance with ASA 570.

39. [Aus] Illustration 1A is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

40. [Aus] Illustration 2A is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Group's ability to continue as a going concern.

...

41. Illustration 3 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

42. Illustration 4 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

Amendments to ASA 701

43. Existing paragraph 4 is amended to read as follows:

Communicating key audit matters in the auditor's report is in the context of the auditor having formed an opinion on the financial report as a whole. Communicating key audit matters in the auditor's report is not:

- (a) A substitute for disclosures in the financial report that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation;
- (b) A substitute for the auditor expressing a modified opinion when required by the circumstances of a specific audit engagement in accordance with ASA 705;¹
- (c) A substitute for reporting in accordance with ASA 570² ~~when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern; or~~
- (d) A separate opinion on individual matters. (Ref: Para. A5–A8)

44. Existing footnote 2 in paragraph 4 is amended to read as follows:

See ASA 570 Going Concern, paragraphs ~~34-38~~²²⁻²³.

45. Existing paragraph 15 is amended to read as follows:

The following are, by their nature, key audit matters: a~~A~~ matter giving rise to a modified opinion in accordance with ASA 705 or, in accordance with ASA 570, or a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern or when significant judgements were made by management in concluding that there is no material uncertainty in accordance with ASA 570, ~~are by their nature key audit matters.~~ However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor's report and the requirements in paragraphs 13–14 of this Auditing Standard do not apply. Rather, the auditor shall:

- (a) Report on these matter(s) in accordance with the applicable Australian Auditing Standards; and
- (b) Include a reference to the Basis for Qualified (Adverse) Opinion₂, or the Material Uncertainty Related to Going Concern or the Going Concern section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)

46. Existing paragraph A41 is amended to read as follows:

In addition to referring to related disclosure(s), the auditor may draw attention to key aspects of them. The extent of disclosure by management about specific aspects or factors in relation to how a particular matter is affecting the financial report of the current period may help the

auditor in pinpointing particular aspects of how the matter was addressed in the audit such that intended users can understand why the matter is a key audit matter. For example:

- ~~When an entity includes robust disclosure about accounting estimates, the auditor may draw attention to the disclosure of key assumptions, the disclosure of the range of possible outcomes, and other qualitative and quantitative disclosures relating to key sources of estimation uncertainty or critical accounting estimates, as part of addressing why the matter was one of most significance in the audit and how the matter was addressed in the audit.~~
- ~~When the auditor concludes in accordance with ASA 570 that no material uncertainty exists relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor may nevertheless determine that one or more matters relating to this conclusion arising from the auditor's work effort under ASA 570 are key audit matters. In such circumstances, the auditor's description of such key audit matters in the auditor's report could include aspects of the identified events or conditions disclosed in the financial report, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors.³²~~

47. Existing footnote 32 in paragraph A41 is deleted.

Amendments to ASA 705

48. Existing paragraph 19 is amended to read as follows:

When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall:

- (a) State that the auditor does not express an opinion on the accompanying financial report;
- (b) State that, because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial report; and
- (c) Amend the statement required by paragraph 24(b) of ASA 700, which indicates that the financial report has been audited, to state that the auditor was engaged to audit the financial report.
- (d) State in the Basis for Disclaimer of Opinion section that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

49. Footnotes 5 and 6 are inserted to existing paragraph 29 and paragraph 29 is amended to read as follows:

Unless required by law or regulation, when the auditor disclaims an opinion on the financial report, the auditor's report shall not include a section on:

- (a) ~~a Key Audit Matters section~~ in accordance with ASA 701;⁴

- (b) Going Concern in accordance with ASA 570;⁵
- (c) Material Uncertainty Related to Going Concern in accordance with ASA 570;⁶ and
- (d) ~~or an Other Information section~~ in accordance with ASA 720.⁵ (Ref: Para. A26)

- 50. Existing footnote 11 in paragraph A18 is deleted.
- 51. Existing paragraph A26 is amended to read as follows:

Providing the reasons for the auditor's inability to obtain sufficient appropriate audit evidence within the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users in understanding why the auditor has disclaimed an opinion on the financial report and may further guard against inappropriate reliance on them. However, communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial report as a whole are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial report as a whole. Similarly, it would not be appropriate to include an Other Information section in accordance with ASA 720 addressing the auditor's consideration of the consistency of the other information with the financial report. Accordingly, paragraph 29 prohibits a ~~Key Audit Matters section or an Other Information~~ certain sections from being included in the auditor's report when the auditor disclaims an opinion on the financial report, unless the auditor is otherwise required by law or regulation to communicate key audit matters or to report on other information.

Amendments to ASA 705 Appendix: [Aus] Illustration 1A, [Aus] Illustration 2A, [Aus] Illustration 3A, Illustration 4 and Illustration 5

- 52. The sixth point of [Aus] Illustration 1A, [Aus] Illustration 2A and [Aus] Illustration 3A are amended to read as follows:

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern~~ in accordance with ASA 570.

- 53. [Aus] Illustration 1A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

⁵ See ASA 570 *Going Concern*, paragraph 34.
⁶ See ASA 570, paragraphs 35-36.

54. [Aus] Illustration 2A is amended to read as follows:

Basis for Adverse Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Group's ability to continue as a going concern.

...

55. [Aus] Illustration 3A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Group's ability to continue as a going concern.

...

56. Illustration 4 is amended to read as follows:

Basis for Disclaimer of Opinion

The Group's investment in its joint venture XYZ Entity is carried at \$xxx on the consolidated statement of financial position, which represents over 90% of the Group's net assets as at 30 June 20X1. We were not allowed access to the management and the auditors of XYZ Entity, including XYZ Entity's auditor's audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of the Group's proportional share of XYZ Entity's assets that it controls jointly, its proportional share of XYZ Entity's liabilities for which it is jointly responsible, its proportional share of XYZ's income and expenses for the year, and the elements making up the consolidated statement of changes in equity and the consolidated cash flow statement.

We are unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial report and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

...

57. Illustration 5 is amended to read as follows:

Basis for Disclaimer of Opinion

We were not appointed as auditors of the Entity until after 30 June 20X1 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at 30 June 20X0 and 20X1, which are stated in the statements of financial position at \$xxx and \$xxx, respectively. In addition, the introduction of a new computerised accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the statement of financial position at a total amount of \$xx as at 30 June 20X1. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

We are unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Amendments to ASA 706

58. Existing paragraph A5 is amended to read as follows:

Examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph are:

- An uncertainty relating to the future outcome of exceptional litigation or regulatory action, that is not an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.
- A significant subsequent event that occurs between the date of the financial report and the date of the auditor's report.⁷
- ...

59. Existing paragraph A7 is amended to read as follows:

The inclusion of an Emphasis of Matter paragraph in the auditor's report does not affect the auditor's opinion. An Emphasis of Matter paragraph is not a substitute for:

- (a) A modified opinion in accordance with ASA 705 when required by the circumstances of a specific audit engagement;
- (b) Disclosures in the financial report that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation; or
- (c) Reporting in accordance with ASA 570,⁸ ~~when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern.~~

60. Existing footnote 8 in paragraph A7 is amended to read as follows:

See ASA 570, paragraphs ~~34-38~~²²⁻²³.

61. Existing paragraph A16 is amended to read as follows:

The placement of an Emphasis of Matter paragraph or Other Matter paragraph in the auditor's report depends on the nature of the information to be communicated, and the auditor's judgement as to the relative significance of such information to intended users compared to other elements required to be reported in accordance with ASA 700. For example:

Emphasis of Matter Paragraphs

- When the Emphasis of Matter paragraph relates to the applicable financial reporting framework, including circumstances where the auditor determines that the financial reporting framework prescribed by law or regulation would otherwise be unacceptable,¹² the auditor may consider it necessary to place the paragraph immediately following the ~~Basis of Opinion~~ Going Concern or Material Uncertainty Related to Going Concern section to provide appropriate context to the auditor's opinion.
- When a Key Audit Matters section is presented in the auditor's report, an Emphasis of Matter paragraph may be presented either directly before or after the Key Audit Matters section, based on the auditor's judgement as to the relative significance of the information included in the Emphasis of Matter paragraph. The auditor may also add further context to the heading "Emphasis of Matter", such as "Emphasis of Matter—Subsequent Event", to differentiate the Emphasis of Matter paragraph from the individual matters described in the Key Audit Matters section.

...

Amendments to ASA 706 Appendix 3 and Appendix 4

62. The sixth point of [Aus] Illustration 1A in Appendix 3 and [Aus] Illustration 2A in Appendix 4 are amended to read as follows:

- | |
|---|
| <ul style="list-style-type: none">• Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with ASA 570. |
|---|

63. [Aus] Illustration 1A in Appendix 3 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

64. [Aus] Illustration 2A in Appendix 4 is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

Amendments to ASA 710

Amendments to ASA 710 Appendix 1: Illustration 1, [Aus] Illustration 1A, Illustration 2, [Aus] Illustration 2A, Illustration 3 and Illustration 4

65. The eighth point of Illustration 1, [Aus] Illustration 1A, Illustration 2, [Aus] Illustration 2A, Illustration 3 and Illustration 4 are amended to read as follows:

- | |
|--|
| <ul style="list-style-type: none">• Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570. |
|--|

66. Illustration 1 is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

67. [Aus] Illustration 1A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained,

we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

68. Illustration 2 is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

69. [Aus] Illustration 2A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

70. Illustration 3 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

71. Illustration 4 is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

Amendments to ASA 720

72. Footnote 13 is inserted in existing paragraph A32 as follows:

The auditor's knowledge obtained in the audit may also include matters that are prospective in nature. Such matters may include, for example, business prospects and future cash flows that the auditor considered when evaluating the assumptions used by management in performing impairment tests on intangible assets such as goodwill, or when evaluating management's assessment of the entity's ability to continue as a going concern.¹³

Amendments to ASA 720 [Aus] Appendix 3: [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3, [Aus] Illustration 4A, [Aus] Illustration 5A, [Aus] Illustration 6A and [Aus] Illustration 7A

73. The sixth point of [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3, [Aus] Illustration 4A, [Aus] Illustration 5A, [Aus] Illustration 6A and [Aus] Illustration 7A are amended to read as follows:

- | |
|--|
| <ul style="list-style-type: none">• Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570. |
|--|

74. [Aus] Illustration 1A is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting

¹³ See ASA 570 *Going Concern*.

in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

75. [Aus] Illustration 2A is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

76. Illustration 3 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

77. [Aus] Illustration 4A is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

78. [Aus] Illustration 5A is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

79. [Aus] Illustration 6A is amended to read as follows:

Basis for Qualified Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Group's ability to continue as a going concern.

...

80. [Aus] Illustration 7A is amended to read as follows:

Basis for Adverse Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Group's ability to continue as a going concern.

...

Amendments to ASA 800

Amendments to ASA 800 Appendix 1: Illustration 1, Illustration 2 and [Aus] Illustration 5

81. The seventh point of Illustration 1, sixth point of Illustration 2 and seventh point of [Aus] Illustration 5 are amended to read as follows:

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ASA 570.

82. Illustration 1 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

83. Illustration 2 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.

...

84. [Aus] Illustration 5 is amended to read as follows:

Basis for Opinion

...

Going Concern

In the context of our audit of the financial report as a whole, and in forming our opinion thereon, we have concluded that management's use of the going concern basis of accounting in the preparation of the financial report is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Entity's ability to continue as a going concern.

...

Draft

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

Conforming Amendments to non-legislative AUASB Standards due to ASA 570 Going Concern

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.

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
ASA 805 Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement		
Paragraph 14 footnote 11	ISA 570 (Revised 2024), <i>Going Concern</i> , paragraphs 35-36-22	See ASA 570 <i>Going Concern</i> , paragraphs 35-36-22 .
Seventh point of Appendix 2 Illustration 1	<ul style="list-style-type: none"> Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 2024). The disclosure of the material uncertainty in the single financial statement is adequate. 	<ul style="list-style-type: none"> Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570. The disclosure of the material uncertainty in the single financial statement is adequate.
Appendix 2 Illustration 1	<p>...</p> <p>Material Uncertainty Related to Going Concern</p> <p>We draw attention to Note 6X in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6X, these events or conditions, along with other matters as set forth in Note 6X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.</p> <p>Our opinion is not modified in respect of this matter.</p> <p>Our opinion is not modified in respect of this matter.</p> <p><u>In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.</u></p> <p><u>Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.</u></p> <p>...</p>	<p>...</p> <p>Material Uncertainty Related to Going Concern</p> <p>We draw attention to Note 6X in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6X, these events or conditions, along with other matters as set forth in Note 6X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter. Our opinion is not modified in respect of this matter.</p> <p><u>In the context of our audit of the financial statements as a whole, and in forming our opinion thereon, we have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statement is appropriate.</u></p> <p><u>Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are not a guarantee as to the Company's ability to continue as a going concern.</u></p> <p>...</p>

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
<p>Ninth point of Appendix 2 Illustration 2</p>	<ul style="list-style-type: none"> • <u>The going concern basis of accounting is not relevant in the preparation of the statement of cash receipts and disbursements.</u> Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised). 	<ul style="list-style-type: none"> • <u>The going concern basis of accounting is not relevant in the preparation of the statement of cash receipts and disbursements.</u> Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
<p>Appendix 2 Illustration 2</p>	<p>...</p> <p>Responsibilities of Management and Those Charged with Governance for the Financial Statement</p> <p>...</p> <p>In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>Auditor's Responsibilities for the Audit of the Financial Statement</p> <p>...</p> <p>As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> • ... • Conclude on the appropriateness of management's 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 Company'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 the related disclosures in the financial statement or, if such disclosures are inadequate, 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 Company to cease to continue as a going concern. 	<p>...</p> <p>Responsibilities of Management for the Financial Statement</p> <p>...</p> <p>In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>Auditor's Responsibilities for the Audit of the Financial Statement</p> <p>...</p> <p>As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> • ... • Conclude on the appropriateness of management's 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 Company'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 the related disclosures in the financial statement or, if such disclosures are inadequate, 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 Company to cease to continue as a going concern.

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<ul style="list-style-type: none"> ... 	<ul style="list-style-type: none"> ...
<p>Eight point of Appendix 2 [Aus] Illustration 3A</p>	<ul style="list-style-type: none"> The going concern basis of accounting is not relevant in the preparation of the accounts receivable schedule. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised). 	<ul style="list-style-type: none"> <u>The going concern basis of accounting is not relevant in the preparation of the accounts receivable schedule. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.</u>
<p>Appendix 2 [Aus] Illustration 3A</p>	<p>...</p> <p>Responsibilities of Management and Those Charged with Governance for the Schedule</p> <p>Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the schedule, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>Those charged with governance are responsible for overseeing the Company's financial reporting process.</p> <p>Auditor's Responsibilities for the Audit of the Schedule</p> <p>...</p> <p>As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> ... Conclude on the appropriateness of management's 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are 	<p>...</p> <p>Responsibilities of Management for the Schedule</p> <p>Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the schedule, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.</p> <p>Auditor's Responsibilities for the Audit of the Schedule</p> <p>...</p> <p>As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:</p> <ul style="list-style-type: none"> ... Conclude on the appropriateness of management's 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 Company'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 the related disclosures in the schedule or, if such disclosures are inadequate, to modify

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<p>required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, 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 Company to cease to continue as a going concern.</p> <ul style="list-style-type: none"> • ... 	<p>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 Company to cease to continue as a going concern.</p> <ul style="list-style-type: none"> • ...
ASA 810 Engagements to Report on Summary Financial Statements		
Paragraph 19	<p>When the auditor's report on the audited financial statements includes:</p> <p>(a) A qualified opinion in accordance with ISA 705 (Revised);¹</p> <p>(b) ...</p> <p>(c) A <i>Material Uncertainty Related to Going Concern</i> section in accordance with ISA 570 (Revised 2024);²</p> <p>(d) <u>A <i>Going Concern</i> section in accordance with ISA 570 (Revised 2024) when significant judgments are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;</u>³</p> <p>(e) ...</p> <p>and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:</p> <p>(i) State that the auditor's report on the audited financial statements includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a <i>Material Uncertainty Related to Going Concern</i> section, <u>or a <i>Going Concern</i> section that refers to significant judgments made by management in concluding that there is no material uncertainty,</u> communication of key audit matters, or a statement that describes an</p>	<p>When the auditor's report on the audited financial report includes:</p> <p>(a) A qualified opinion in accordance with ASA 705;⁷</p> <p>(b) ...</p> <p>(c) A <i>Material Uncertainty Related to Going Concern</i> section in accordance with ASA 570;⁹</p> <p>(d) <u>A <i>Going Concern</i> section in accordance with ASA 570 when significant judgements are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern;</u>¹⁰</p> <p>(e) ...</p> <p>and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial report, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:</p> <p>(i) State that the auditor's report on the audited financial report includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a <i>Material Uncertainty Related to Going Concern</i> section, <u>or a <i>Going Concern</i> section that refers to significant judgements made by management in concluding that there is no material uncertainty,</u> communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)</p>

¹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

² ISA 570 (Revised 2024), *Going Concern*, paragraphs 35-36-22

³ ISA 570 (Revised 2024), paragraph 34(b)

⁹ ASA 570 *Going Concern*, paragraphs 35-36-22.

¹⁰ ASA 570 paragraph 34(b).

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<p>uncorrected material misstatement of the other information; and (Ref: Para. A21)</p> <p>(ii) ...</p> <p>a. ...</p> <p>b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, or the <i>Material Uncertainty Related to Going Concern</i> section, <u>or the <i>Going Concern</i> section that refers to significant judgments made by management in concluding that there is no material uncertainty</u>, in the auditor's report on the audited financial statements and the effect(s) thereof, if any, on the summary financial statements; or</p> <p>c. ...</p>	<p>(ii) ...</p> <p>a. ...</p> <p>b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, or the <i>Material Uncertainty Related to Going Concern</i> section, <u>or the <i>Going Concern</i> section that refers to significant judgments made by management in concluding that there is no material uncertainty</u>, in the auditor's report on the audited financial report; and the effect(s) thereof, if any, on the summary financial statements; or</p> <p>c. ...</p>
Footnote 17 of Illustration 1 in the Appendix	As explained in paragraph 15 of ISA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraphs 35-36-22 of ISA 570 (Revised 2024).	As explained in paragraph 15 of ASA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraphs 35-36-22 of ASA 570.
Illustration 1 in the Appendix	<p>...</p> <p>The Audited Financial Statements and Our Report Thereon</p> <p>We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. That report also includes:</p> <ul style="list-style-type: none"> • A <i>Material Uncertainty Related to Going Concern</i> section that draws attention to Note 6X in the audited financial statements. Note 6X of the audited financial statements indicates that ABC Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6X of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed 	<p>...</p> <p>The Audited Financial Report and Our Report Thereon</p> <p>We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:</p> <ul style="list-style-type: none"> • A <i>Material Uncertainty Related to Going Concern</i> section that draws attention to Note 6X in the audited financial report. Note 6X of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6X of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5Y of the summary financial statements.¹⁸

¹⁸ The auditor may include additional description about how the auditor evaluated management's assessment of the entity's ability to continue as a going concern, in accordance with paragraph 35(b) of ASA 570.

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<p style="text-align: center;">in Note 5Y of the summary financial statements.⁴</p> <ul style="list-style-type: none"> • ... 	<ul style="list-style-type: none"> • ...

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⁴ The auditor may include additional description about how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern, in accordance with paragraph 35(b) of ISA 570 (Revised 2024)



AUASB Agenda Paper

Title:	Guidance Statements Revision – GS 007 and GS 011	Date:	14 May 2025
Office of the AUASB Staff:	Rajen Pillay and Jeff Muir	Agenda Item:	5.0

Objective of this Agenda Paper

1. The objective of this Agenda Paper is to seek feedback and approval of the Project Plans for updating:
 - (a) [GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services](#) (GS 007); and
 - (b) [GS 011 Third Party Access to Audit Working Papers](#) (GS 011).

Question for the AUASB members

Question No.	Question for AUASB members
1	Do AUASB members have any feedback, and do they approve the GS 007 and GS 011 Project Plans?

Background

2. Under the [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#) (AUASB Due Process framework), AUASB Guidance Statements should be assessed for currency and relevance, and to ensure they remain consistent with other AUASB pronouncements and fit for purpose, at least once every three years (see subparagraph 265(a) of the AUASB Due Process Framework).
3. Based on stakeholder feedback, GS 007 and GS 011 have been prioritised for updating.
4. The Office of the AUASB has developed Project Plans (refer agenda paper 6.1 and 6.2) for the AUASB's feedback and approval.

Collaboration with NZAuASB

5. EG Au8 is NZAuASB's equivalent to GS 007. Consistent with the Principles of harmonisation of Australian and New Zealand Standards, the AUASB and NZAuASB will work on updating GS 007 and EG Au8 jointly to achieve consistency where appropriate across jurisdictions. There is no New Zealand equivalent to GS 011.



AUASB Project Plan

Project Title:	Revision of Guidance Statement GS 007 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (Australian version) and EG Au8 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> (New Zealand version)
Date Prepared:	29 April 2025
Date Approved:	TBC
Office Member:	Rajen Pillay / Thinus Peyper
AUASB Member:	Klynton Hankin

Overview of Project

Information Gathering/Background

GS 007 was first issued in March 2008 and subsequently updated and reissued on 25 October 2011 by the AUASB. EG Au8 was issued in September 2013.

More recent feedback from external stakeholders (i.e. audit firms and regulators) highlighted that the audit landscape has evolved since 2011 with for example, changes in auditing standards, and changes in technology and its use by entities. Therefore, the current version of GS 007 requires updating to bring it in line with current practice. Further details are noted under the project scope area below.

Consistent with the Principles of harmonisation of Australian and New Zealand Standards, the AUASB and NZAuASB will work on updating GS 007 and EG Au8 jointly to achieve consistency where appropriate across jurisdictions.

At the AUASB Board Meeting in November 2024 Klynton Hankin (current Board Member) agreed to act in the capacity of project sponsor for the GS 007 revision. A subsequent meeting was held with him in December 2024 to get a brief overview of the issues with the application of GS 007 and to inform the scope of the project. The issues have been further informed by input from Project Advisory Group (PAG) members, both before and during an initial PAG meeting on 2 April 2025.

Stakeholder engagement

GS 007/EG Au8 is widely used in the investment management services industry. Key stakeholders impacted by the revision to GS 007 and EG Au8 are:

- service/subservice organisations that provide investment management and related services to the superannuation and wealth management industry and their auditors providing assurance on the design and effective operation of relevant controls; and
- user entities (e.g. managed schemes, responsible entities, registrable superannuation entities and RSE licensees/trustees) and the auditors of their financial reports.

Another stakeholder group for input may include the Australian Custodial Services Association (ACSA), an industry body representing members of Australia's custodial and investment administration sector. It is also

expected that we will hold ongoing discussions with ASIC and the NZ FMA which regulate financial reports and audits. The NZAuASB will also endeavour to seek input from any relevant stakeholder groups in New Zealand.

Scope

Project Objective

To review and revise both GS 007 and EG Au8 regarding key issues with its application by auditors of financial reports of entities in the investment management and superannuation industry.

Project Scope

The GS 007 application scope will remain as described in paragraph 1 i.e. guidance provided to:

- (i) user auditors of a financial report of a user entity which uses a third-party service organisation to provide investment management services; and
- (ii) service auditors of those service organisations who provide reports on controls (or financial information) which may be used as audit evidence in the audit of the user entity's financial report.

A similar scope is outlined in EG Au8.

To meet the project objective this project will address the application issues with the current guidance having regard to feedback from external stakeholders (i.e. audit firms and practitioners) that undertake audit work in the investment management services industry.

The application issues to be addressed are outlined in the **Appendix** to this project plan identified by the PAG chair and members. These issues will be refined as we progress with the review.

The review of GS 007/EG Au8 and the approach to issues identified will be informed by a review of guidance/practices in the US and UK (i.e. SSAE 18 in the US (2017) and ICAEW 01/20 AAF in the UK (2020)), and possibly other jurisdictions.

Issues Out of Scope of this project

The project is confined to the use of service organisations in the context of a financial report audit. The update will not cover, for example, sustainability reporting and associated value chain reporting by service organisations. This will be addressed as a separate project at a future date.

Project Governance

Project Advisory Group (PAG)

To assist both Boards with this project, we have formed a **PAG** to advise on the development of proposed amendments to GS 007 and the NZ explanatory guide EG Au8. The PAG comprises member representatives from the largest audit firms (large national network firms) from Australia and New Zealand. The PAG Chair is Klynton Hankin who has subject matter expertise in the financial services sector.

The Australian AUASB and NZAuASB sought from its respective Boards (sourced from their audit firms) nominations of suitably experienced individuals to serve on the PAG. As required by paragraph 62 of the AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications, the AUASB Chair made the final decision on selecting PAG members to ensure appropriate representation on the PAG. Appropriate representatives of the NZAuASB staff were consulted in making his decision.

Targeted Implementation Date

The reporting period targeted is years ending 30 June 2026 and later. It is planned to provide a final draft in February/March 2026 for review and approval by both Boards (refer action plan below).

Risks/Issues

Risk/Issue to meeting project objective	Planned Mitigation Activities
Scope not well defined – “scope creep”	Discussions at PAG and AUASB (including approval of this project plan) to clearly define scope
Amendments go beyond or are not consistent with the underlying requirements in Auditing Standards (ASA 402 and ASAE 3402)	Review by PAG and AUASB

Action Plan

Action plan steps outlined in table below.

Date	Description/AUASB timing	Date	NZAuASB Timing
14 Feb 2025	Initial discussion AUASB staff	18 Feb 2025	Initial NZAuASB Discussion
2 April 2025	Project scope issues discussed at 1 st PAG meeting – inform plan		Joint project same timing
		9 April 2025	NZAuASB updated on project progress and scope
14 May 2025	Plan approval by AUASB Board	TBC	Plan approval by NZ Board
3 April to Dec 2025	Project work undertaken and ongoing PAG review		Joint project same timing
Jan/Feb 2026	Early draft of GS/EG for PAG review		“
Feb/Mar 2026	Final draft of GS/EG to Board for review/approval	Feb/Mar 2026	Final draft of GS/EG to Board for review/approval

Communication with stakeholders

The necessary AUASB / NZAuASB protocols will be followed to issue updated non-authoritative pronouncements. The AUASB will have regard to its *Due Process Framework*.

Appendix

Project scope issues are detailed in the table below. This is subject to further consideration/refinement during the PAG process.

	Issues / Observations	Related Action / Response
A. Subservice organisations		
1	<p>Subservice organisations (SSO) and the inconsistent application of the carve out method. Where carve out is applied some principles-based guidance including:</p> <ul style="list-style-type: none"> • Initial risk assessment procedures to justify why SSO is carved out. • Monitoring of controls by the service organisation to evidence design and operating effectiveness of controls at the SSO to support a conclusion regarding achievement of the in-scope objectives. • Appropriateness/perspectives on the use of CSOCs (Complementary Subservice Organisation Controls – AICPA concept) in GS 007 / EG Au8 reports by service auditors. (<i>Management of the service organisation assumes controls will be implemented by subservice organisations to achieve the control objectives stated in the service organisation's system</i>) • Adequacy of reporting around control objectives/controls by service/subservice organisation? • Consideration of ability to obtain sufficient appropriate audit evidence on the relevant control objectives where there are carved out SSOs. 	
2	<p>Limitations on user auditor access to SSOs where controls are at the SSO rather than the service organisation.</p> <ul style="list-style-type: none"> • Consider whether guidance may be useful for SSOs that are considered significant and the absence of a contractual relationship between the user entity and the SSO – linking into issue 1 above on risk assessments and possible carve out (e.g. superannuation fund audits)? 	
B. Gap periods		
3	<p>Gaps in time periods between:</p> <ol style="list-style-type: none"> service organisations relying on subservice organisations; and service organisations and user entity financial reporting year end. <p>Applying a risk lens, clarity on the nature and extent of additional audit procedures that could be used by user/service auditor to address:</p> <ul style="list-style-type: none"> • Coverage of a gap period and over what duration. • Risk considerations around duration of the gap, nature of the control and system changes; and the criticality of the service provider to the subject matter. • Consider regulatory requirements / expectations i.e. ASIC, NZ FMA? <p>For example, consideration may be given to the impact of combination of:</p> <ul style="list-style-type: none"> • the gap period at a subservice organisation; and 	

	Issues / Observations	Related Action / Response
	<ul style="list-style-type: none"> the time lag between the date of the report from the service organisation auditor and the balance date of the entity subject to audit. 	
C. Nature and extent of controls testing (and related considerations)		
4	<p>Clarity on requirements for evidencing the extent of controls testing (including IT dependencies) on the following.</p> <ul style="list-style-type: none"> The extent of testing on automated controls or key reports, and IT dependent manual controls? Can it be assumed that service auditor has tested the IT dependency for report generation and completeness and accuracy of the source population as part of an IT dependent manual control or should this be set out in the GS007/EG Au8 report? Where control samples are selected from a population, what testing has been performed over the completeness and accuracy of the population. <p>NB: Further clarity around definition of:</p> <ul style="list-style-type: none"> in-scope IT systems underpinning reporting (and therefore subject to Section G IT controls) the key reports subject to controls/substantive testing. 	
5	<p>Are controls described at too high a level leading to inconsistency in interpretation (including GS 007/EG Au8 section G on IT).</p> <ul style="list-style-type: none"> Do descriptions need to be more specific and more clearly articulated (e.g. details of precision of review controls, in-scope systems tested)? Need for further guidance over description of controls (including examples). 	
6	<p>Should service organisation auditors provide clarity on the approach to determining sample sizes, provide sample sizes in reports and reference the frequency of testing for each control with the report? Alternatively, should reliance be placed on the professional judgement of the service organisation auditor.</p> <ul style="list-style-type: none"> Some base line level of sampling might be included within GS007/EG Au8. Guidance would not be provided on how auditors should determine sizes. 	
7	<p>Extent to which roll forward test procedures are performed over differing period ends, and whether and how this is disclosed in service organisation auditor reports. It may be appropriate to draft based on UK guidance AAF 01/20.</p>	
D. Other areas of challenge		
8	<p>Use of EoM (emphasis of matter) when controls exist but were not required to operate within the period (e.g. controls over client acceptance where no new clients were accepted).</p>	

	Issues / Observations	Related Action / Response
	<ul style="list-style-type: none"> Clarifying when and how such matters should be reported is seen as important for consistency and for informing the user auditor's conclusions. 	
9	<p>Expectations on interaction between user auditor and service auditor having regard to likely report content, particularly where the report will be received late in the audit.</p> <ul style="list-style-type: none"> Communication throughout to avoid surprises when final report is received. Timing of the receipt of the controls report to allow sufficient time for the user entity auditor to use the evidence it contains prior to completion of the user entity's audit. Further procedures may be required for opinion modifications and/or deviations reported, as well as seeking more clarity on the controls tested, etc. Clarifying the expectations regarding findings and qualification – any additional information required to be included in the report or to support the report to assist user entity auditors or auditors of the service organisation Disclosure of procedures undertaken to determine completeness and accuracy of population where completed? 	
10	<p>Section G control objectives (GS 007/EGAu8) – while GS 007/EG Au8 is focused on the impact on financial reporting, GS 007/EG Au8 might include a statement that service organisation reports may also need to address controls to address operational resilience or other matters reporting required by regulatory bodies. This could include business continuity plans and cyber-security. However, guidance on these matters would remain outside the scope of GS 007/EG Au8.</p>	



AUASB Project Plan

Project Title:	Revision of GS 011 <i>Third Party Access to Audit Working Papers</i>
Date Prepared:	2 May 2025
AUASB Staff	Jeff Muir
AUASB Board Approval:	Date: [insert date]

Overview of Project

Information Gathering / Background

[GS 011 *Third Party Access to Audit Working Papers*](#) (GS 011) was issued in April 2009 and provides guidance to auditors when establishing and agreeing the conditions under which third parties are voluntarily granted access to their engagement documentation.

The Office of the AUASB has received informal feedback that GS 011 needs to be revised:

- (a) For the following changes introduced by the new [ASA 600 *Special Considerations-Audits of a Group Financial Report \(Including the Work of Component Auditors\)*](#):
 - (i) the group auditor is no longer a third party to the component auditor; and
 - (ii) components include joint ventures and associates subject to proportionate consolidation and equity accounting; and
- (b) to update multiple references to previous versions of other auditing standards that have been revised since April 2009.

Responses to a survey conducted by the Office of the AUASB (Guidance Statement Revision Discussion Paper 2019) also indicated GS 011 required updating.

While no substantive changes are proposed to GS 011, this project plan has been prepared to confirm the matters outside the scope of GS 011.

What information gathering has been completed to date?

The Office of the AUASB has met with representatives from five audit firms and the mid-tier firms through the Large National Networks Discussion Group. They confirmed that GS 011 is widely used however they have been amending or not using the standard letters in GS 011 as they do not consider them appropriate when a group auditor is provided access to a component auditor's working papers.

We have met with staff from the NZAuASB who have confirmed they do not have an equivalent to GS 011 and will not participate in this project. We have also asked representatives from the audit firms and we are not aware of an international equivalent.

Project Objective and Scope

Project Objective

The objective of this project is to update and revise the existing guidance statement to ensure its continued relevance, clarity, and effectiveness in addressing current industry practices, and stakeholder expectations.

Project Scope

The scope of this project is to update and revise GS 011 to align with ASA 600 and current practice, and to address issues arising in practice as appropriate.

Extant GS 011 includes guidance and example letters for the following common circumstances when requests for access to an external auditor’s engagement documentation may arise:

- A request from the group auditor to access component auditor engagement documentation in connection with the audit or review of the group financial report;
- A request from a third party adviser to a prospective purchaser, investor or lender of the auditor’s client to review the engagement documentation to obtain information to assist them advise their client about a transaction;
- A request from a newly appointed auditor to access the predecessor auditor’s engagement documentation;
- A request from the entity’s auditor to access the internal audit work papers, when the internal auditor is external to the entity and owns the audit working papers; and
- A request from the entity’s auditor to access the engagement documentation of the auditor of a joint venture of which the entity is a participant. We note this circumstance would be covered under ASA 600 and therefore is not required under the revised GS 011.

This scope for this project includes revisions consideration of the matters should consider when voluntarily providing access to audit documentation.

GS 011 – Pending Determination of Scope Matters

The table below outlines recommendation as to the approach in a revised GS 011 on matters raised by stakeholders.

Matter	Factors for inclusion within scope	Factors against inclusion within scope	Recommendation
<p>1. Sustainability assurance</p> <p>Should the updated GS 011 include access to audit working papers for sustainability assurance, and if so, to what extent?</p>	<ul style="list-style-type: none"> • Greater consistency, and reduced costs for auditors providing access to audit work papers for sustainability assurance. 	<ul style="list-style-type: none"> • Additional work required to revise GS 011, primarily AUASB staff time and stakeholder consultation. • This is an evolving area and matters to consider if / when providing access to another practitioner or other third parties from an entity’s value chain is more complex than in a financial statement audit and needs further consideration before this is contemplated. 	<p>Sustainability assurance involving controlled entity and other components, JV, associates is within scope, however, value chain components are not within scope.</p>
<p>2. Laws and regulations in addition to those already in GS 011</p>	<ul style="list-style-type: none"> • Greater consistency and lower costs for auditors providing access to audit work papers. 	<ul style="list-style-type: none"> • Significant level of additional work required to revise GS 011, including: Office of the AUASB and Board time 	<p>Revised GS 011 to remind the auditor to consider other domestic or international</p>

Matter	Factors for inclusion within scope	Factors against inclusion within scope	Recommendation
Should the revised GS 011 take into account additional Australian and international laws and regulations, such as the Privacy Act 1988 in Australia and the EU's General Data Protection Regulation.		and stakeholder consultation. <ul style="list-style-type: none"> • May need to obtain legal advice on compliance with laws and regulations, particularly in relation to the guidance and example letters within GS 011. • GS 011 may require more frequent revisions to accommodate updates to Australian and international laws and regulations. 	requirements such as privacy or data protection legislation without providing detailed guidance.
3. Legal Professional Privilege Should GS 011 continue to address legal professional privilege?	<ul style="list-style-type: none"> • Promote consistency. • Outline possible legal professional privilege considerations. 	<ul style="list-style-type: none"> • Risk of GS 011 providing inaccurate guidance in relation to legal professional privilege. • Additional staff time required to redraft guidance around legal professional privilege. 	Amend GS 011 such that the auditor should consider legal professional privilege, and evaluate whether providing the documentation may result in the privilege being waived.

Output of this project

Revised GS 011.

Project Governance

Why is this in the public interest?

GS 011 is widely used and ASA 600 may result in more access requests from group auditors so it is important that GS 011 is not an impediment to co-operation between group auditors and component auditors.

Board approval

Guidance Statements are authoritative pronouncements and require AUASB approval (refer to the [AUASB's Due Process Framework](#)). Refer to the indicative timeline below.

How feedback will be sought from auditors

The Office of the AUASB does not consider it necessary to form a formal Project Advisory Group and will seek feedback from representatives of the firms informally.

Activities undertaken by the Office of the AUASB to date

External stakeholder engagement

The Office of the AUASB:

- held an informal discussion with each of the Big 4 audit firms; and
- sought feedback on GS 011 at the Large National Networks Discussion Group meeting on 26 March 2025.

At the meetings, feedback was sought on matters including:

- whether GS 011 is used and, if so, to what extent?
- should GS 011 include group audits, given component auditors are not third parties under the revised ASA 600?
- what changes, if any, should the AUASB make to GS 011?
- what is the current practice of providing and receiving access to working papers within the firms?
- international policy/practices – what are they? Are there international regulations?

Action plan

The following table sets out an indicative timeline, key dates, approvals and stakeholder consultation for revising GS 011.

Date	Description
March 2025	Informal meetings with each of the Big 4 audit firms and mid-tier firms through the Large National Networks Discussion Group.
14 May 2025	Present Project Plan to AUASB Board for approval
31 May 2025	Office of the AUASB to draft a revised GS 011 for informal consultation with the Big 6 audit firms and mid-tier firms through the Large National Networks Discussion Group.
30 June 2025	Incorporate feedback into revised draft GS 011.
9 July 2025	Present revised GS 011 to AUASB Board for approval.
31 July 2025	Revised GS 011 issued.