



AUASB Agenda Paper

Title: Revised ISA 570 *Going Concern*

Date: 19 February 2025

Office of AUASB Staff: Rene Herman

Agenda Item: 6

Objective of Agenda Item:

1. The objectives of this Agenda Item is to seek in-principle approval to issue the revised ISA 570 *Going Concern* in Australia.

Question for AUASB members

No.	Question for AUASB members
1	<p>Do AUASB members agree in principle to adopt the revised ISA 570 in Australia with no substantive changes and without re-exposure in Australia subject to:</p> <p>(a) Certification of the revised ISA 570 by the Public Interest Oversight Board (PIOB);</p> <p>(b) The following being provided for approval at a future AUASB meeting:</p> <ul style="list-style-type: none">• An Australianised version of the revised ISA 570 (see Agenda Paper 6.1 for IAASB version);• An Australianised version of the IAASB's consequential amendments to other standards (see Agenda Paper 6.2 for IAASB version); and• A draft explanatory statement to the Australian standard; <p>(c) The following being provided for comment at that future AUASB meeting:</p> <ul style="list-style-type: none">• A draft Basis for Conclusions (with the IAASB Basis for Conclusions)?

Background and Previous Discussions on Topic

2. The revised ISA 570 was approved by the IAASB at its December 2024 meeting. See Agenda papers 6.1 and 6.2 for the [revised standard](#) and [consequential amendments](#). The documents are subject to PIOB certification (expected April 2025). The revised ISA 570 will be effective for periods beginning on or after 15 December 2026.
3. The AUASB made a [written submission](#) on the IAASB's exposure draft of a proposed revised ISA 570 (ED). AUASB members have considered IAASB board papers outlining possible changes to the ED and provided feedback to the Australian IAASB member and the AUASB's IAASB Technical Advisor

Summary of comments in AUASB submission and how the IAASB addressed them in revised ISA 570

4. The AUASB's submission supported the overall proposed ISA 570 and identified matters for consideration by the IAASB. The Office of the AUASB considers that the majority of the substantive comments in the AUASB submission have been addressed by the IAASB in the revised ISA 570 (see table below).

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to Australian standard
1	<p><i>Changes to IFRS accounting standards</i></p> <p>The AUASB recommended that the IAASB continue to liaise with the</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</p>

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No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to Australian standard
	IASB on amendments to IFRS accounting standards to cover financial report disclosures currently deriving from extant ISA 570/ASA 570.	AUASB need to work sought to work within the confines of the existing accounting standards requirements.
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 ISA 315 <i>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>

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No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to Australian standard
3	<p><i>Definition - Material Uncertainty</i></p> <p>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></p> <p>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</i></p> <p><i>Heading</i></p> <p>The heading of the section of the auditor’s report on going concern</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>

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No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to Australian standard
	should clearly indicate where there are issues in relation to going concern to assist users of the financial statements.	<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)
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</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</i></p>

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	<p>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>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 reporting to PIEs will be considered at later stage as part of a revisit to the PIE Track 2 project.</p>
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: A matter giving rise to a modified opinion in accordance with ISA 705 (Revised), or, in accordance with ISA 570 (Revised 2024), 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.</u> 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:</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 or the Going Concern section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)'

Australian specific paragraphs

5. Extant ASA 570 currently contains the following Australian specific paragraphs:

Para	Description	Proposal for revised ASA 570
Aus 3.1	Refer to solvency statement in the directors' declaration under the Corporations Act.	Proposed to repeat in revised ISA 570.
Aus 13.1 & 13.2	Aus 13.1 and Aus 13.2: Timeline for evaluating management's assessment is 12 months from auditor's report date (12 months from balance date in extant ISA 570).	No longer required because the revised ISA 570 requires the assessment period to be no less than 12 months from the date of approval of the financial statements.

Other matters

6. The NZAuASB will consider the revised ISA 570 at on 12 February 2025. Members will be updated verbally on 19 February 2025 of the NZAuASB's decision.
7. The Office of the AUASB expects that the IAASB will include a decision tree in its implementation support materials. Depending on the level of detail included by the IAASB, the Office of the AUASB will consider whether to develop a decision tree akin to that currently in extant ASA 570, [Aus] Appendix 1 Linking Going Concern Considerations and Types of Audit Opinions. Any such guidance would be issued after the release of the IAASB materials and after the release of the Australian equivalent standard.

Materials presented

Agenda paper	Description
6.1	Revised ISA 570
6.2	IAASB consequential amendments

ISA 570 (Revised 2024), Going Concern – Approved
Clean Version

This Agenda Item includes approved ISA 570 (Revised 2024) at the IAASB plenary discussion on December 12, 2024.

Introduction

Scope of this ISA

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

Going Concern Basis of Accounting

2. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial statements are 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 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 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 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 Accounting Standard (IAS) 1 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)
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 as discussed in paragraph 2, the preparation of the financial statements requires

¹ IAS 1, *Presentation of Financial Statements*, paragraphs 25–26

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, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgment:
 - 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 regarding the outcome of events or conditions.
 - Any judgment about the future is based on information available at the time at which the judgment is made. Subsequent events may result in outcomes that are inconsistent with judgments 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, 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 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 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.

Effective Date

8. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2026.

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

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;
 - (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 ISA.

Definition

10. For purposes of the ISAs, the following term has the meaning attributed below:

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. (Ref: Para. A5–A6)

Requirements

Risk Assessment Procedures and Related Activities

11. In applying ISA 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 ISA 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

- (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

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 13-14

⁴ ISA 315 (Revised 2019), paragraphs 19-27

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. (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 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)

⁵ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraph 13

⁶ ISA 315 (Revised 2019), paragraph 35

Control Deficiencies Within the Entity’s System of Internal Control

15. In applying ISA 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 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 judgments 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.

⁷ ISA 315 (Revised 2019), paragraph 27

- (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 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 statements as defined in ISA 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 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)

⁸ ISA 560, *Subsequent Events*, paragraph 5(b)

- (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).

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 are 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 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. In doing so, the auditor shall: (Ref: Para. A67)
 - (a) Evaluate whether the judgments 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.

31. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's professional judgment, 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 provide adequate disclosures about these events or conditions, including, as applicable, when significant judgments 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: (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, or
- (ii) In the case of a compliance framework, the financial statements 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 as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

- (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 of a listed entity, 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: (Ref: Para. A82–A83, A89)
- (i) Include a reference to the related disclosure(s) in the financial statements, 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

35. If adequate disclosure about the material uncertainty is made in the financial statements, 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 statements; (Ref: Para. A73, A77)
 - (b) For an audit of financial statements 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 as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - (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

36. If adequate disclosure about the material uncertainty is not made in the financial statements, the auditor shall: (Ref: Para. A78–A79, A90, A92)
- (a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA 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 do 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;
 - (ii) State that:
 - a. In the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - 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

37. When the auditor disclaims an opinion on the financial statements, 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 have been prepared using the going concern basis of accounting but, in the auditor’s professional judgment, management’s use of the going concern basis of accounting in the preparation of the financial statements 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.

⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*

¹⁰ ISA 705 (Revised), paragraph 29

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 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, including, when applicable, significant judgments 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)
- (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;
 - (c) An overview of the audit procedures performed and the basis for the auditor's conclusions,

¹¹ ISA 580, *Written Representations*

¹² ISA 260 (Revised), paragraph 13

including the auditor’s evaluation of management’s plans for future actions;

- (d) The adequacy of related disclosures in the financial statements, including disclosures that describe the significant judgments 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 230,¹³ the auditor shall include in the audit documentation significant professional judgments 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; and
 - (ii) Whether or not a material uncertainty exists; and
 - (b) Determination of the adequacy of management’s disclosures in the financial statements related to going concern.

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. In addition to the matters addressed by this ISA, ISA 701¹⁴ deals with the auditor’s responsibility to communicate key audit matters in the auditor’s report. That ISA acknowledges that, when ISA 701 applies, the following are, by their nature key audit matters:¹⁵

¹³ ISA 230, *Audit Documentation*, paragraphs 8–11, A6–A7 and Appendix

¹⁴ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

¹⁵ ISA 701, paragraph 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 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.

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

- A2. For audits of financial statements of listed entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and 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, this ISA 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. 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 on a going concern basis of accounting may vary. For example, IAS 1 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

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 related to events or conditions that may cast significant doubt on the entity’s ability to

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

¹⁷ IAS 1, paragraph 26

continue as a going concern. For example, the term “material uncertainty” is used in IAS 1 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 realizes 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.
- 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).
- Labor 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 ISA 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.

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

- A9. ISA 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 ISA refer to, or expand on, what is required by ISA 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 to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this ISA.
- A11. ISA 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 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 (also see paragraphs A68–A71).
- A12. The following are examples of risk assessment procedures that may be relevant:

¹⁸ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 24

¹⁹ ISA 315 (Revised 2019), paragraph 13

Examples:

The Entity and its Environment

- Inquiries 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 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 judgments and assumptions management makes about the future included in the entity's latest available financial statements 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 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 under the going concern basis of accounting. The applicable financial reporting framework may also include disclosure requirements about the significant judgments 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 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 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 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 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 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 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.

²⁰ ISA 315 (Revised 2019), paragraph A48

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 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, 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 ISA 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 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. ISA 265²³ deals with the auditor's responsibility to

²¹ ISA 315 (Revised 2019), paragraph 37

²² ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

²³ ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements.

- 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. ISA 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, ISA 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 ISA 705 (Revised), when the possible effects on the financial statements 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 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.

²⁴ ISA 240, paragraphs 26-28

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, 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 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 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 judgments 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 judgments 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, ISA 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.

²⁵ ISA 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; 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 specialized 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 specialized 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. 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 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.
- 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.

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. 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 for purposes of the ISAs is the date on which those with the recognized authority determine that all the statements that comprise the financial statements, including the related notes, have been prepared and that those with the recognized authority have asserted that they have taken responsibility for those financial statements.²⁷ The applicable financial reporting framework may use other terms to describe the "date of approval of the financial

²⁶ For example, IAS 1 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 ISA 560, paragraph 5(b)

statements.”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 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 statements.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. 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. Accordingly, the auditor is required to discuss the matter with management, and where appropriate, with those charged with governance, and inquire 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. 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 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 to the date of approval of the financial statements through less formal means. As explained in paragraph A35, the lack of detailed 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

²⁸ For example, IAS 10, *Events After the Reporting Period* uses the term “date the financial statements are authorized for issue” and explains that such date will vary depending upon the management structure, statutory requirements and procedures followed in preparing and finalizing the financial statements.

²⁹ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph A24

the financial statements, 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 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 240.
- Consider management’s unwillingness to extend its assessment as a limitation on the audit evidence the auditor has obtained. In accordance with ISA 705 (Revised), when the possible effects on the financial statements 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 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. The auditor’s procedures to evaluate management’s plans for future actions may include:

- Inquiry of management about its reasons for a particular course of action.
- Evaluating responses to inquiries 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.

³⁰ ISA 315 (Revised 2019), paragraph 37

- Evaluating responses to inquiries 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, authorizations 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 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.

³¹ ISA 330, *The Auditor’s Responses to Assessed Risks*, paragraph 19

- 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 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 inquire 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 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).

³² ISA 505, *External Confirmations*, paragraph 6(a)

- Inquiries about the ability to provide the financial support in a timely manner for the entity to meet its obligations.
- Inquiries of others, such as external or internal legal counsel, or the auditor of the financial statements 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 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 favor 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 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 are 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 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.

³³ ISA 560, paragraphs 10-13

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, in accordance with ISA 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 favorable 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 judgments 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 as a whole are free from material misstatement, as discussed in ISA 700 (Revised).³⁵

³⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs A133-A136

³⁵ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 11

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 provide the disclosures required by paragraph 33.

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 judgments 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

³⁶ ISA 240, paragraph 25

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 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 by management in estimating the impact and the timing of the future cash flows.

- A74. When the financial statements are prepared in accordance with a fair presentation framework, the auditor's evaluation as to whether the financial statements achieve fair presentation includes the consideration of the overall presentation, structure and content of the financial statements, and whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.³⁷
- A75. When significant judgments 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 to achieve fair presentation (for fair presentation frameworks) or for the financial statements 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 705 (Revised),³⁸ the auditor is required to express a modified opinion in the auditor's report when the financial statements do 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 judgments made by management as part of its assessment of the entity's ability to continue as a going concern.

³⁷ ISA 700 (Revised), paragraph 14

³⁸ ISA 705 (Revised), paragraphs 6 and A7

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 to this ISA provides illustrations of the statements that are required to be included in the auditor's report on the financial statements when IFRS Accounting Standards is the applicable financial reporting framework. If an applicable financial reporting framework other than IFRS Accounting Standards is used, the illustrative statements presented in the Appendix to this ISA 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 and of the auditor in relation to going concern are described. The Appendix of ISA 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 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).
- A81. Illustration 1 of the Appendix to this ISA 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 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 financial statements 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 pension funds), and other entities such as charities.
- A83. There may be circumstances when, in the auditor's professional judgment, the disclosures of management's judgments 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

³⁹ ISA 700 (Revised), paragraphs 34 and 39.

of the financial statements. Also, there may be circumstances when the auditor, in addition to including a reference to the disclosure(s) in the financial statements, 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, 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 judgments.

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. 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 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 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 statements.
- Does not contain or imply discrete opinions on separate elements of the financial statements.
- 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 statements 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 statements 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 to this ISA 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 statements adequately disclose the significant judgments 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 statements. 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 (Ref: Para. 35)

- A91. Illustrations 3 and 4 of the Appendix to this ISA 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.

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

- A92. Illustrations 5 and 6 of the Appendix to this ISA 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.

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

- A93. In situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate, in extremely rare circumstances, to express a disclaimer of opinion. ISA 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, unless the auditor is otherwise required by law or regulation, as this would be inconsistent with the disclaimer of opinion on the financial statements as a whole and may suggest that the financial statements as a whole are more credible in relation to those matters. When the auditor disclaims an opinion, ISA 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 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.

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

- A95. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's professional judgment, management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate, the requirement in paragraph 38 for the auditor to express an adverse opinion applies regardless of whether or not the financial statements include 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 on another basis (e.g., liquidation basis). The auditor may be able to perform an audit of those financial statements 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 those financial

⁴⁰ ISA 705 (Revised), paragraph 10

⁴¹ ISA 705 (Revised), paragraph 19

statements, provided there is adequate disclosure therein about the basis of accounting on which the financial statements are prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with ISA 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 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:

⁴² ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

⁴³ ISA 260 (Revised), paragraph A49

Examples:

- The auditor's views about the appropriateness of the disclosures in the financial statements in view of the recognition, measurement and presentation requirements of the applicable financial reporting framework.
- Whether management has applied appropriate specialized 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 judgments 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 statements 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 judgments. 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.

⁴⁴ For example, paragraph R114.3(a) of the *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.

⁴⁵ See, for example, paragraphs R360.19-R360.26 of the IESBA Code.

Appendix

(Ref: Para. A78, A81, A89, A91–A92)

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: An auditor's report of a listed entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements about the significant judgments 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 is adequate.
- Illustration 4: 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.
- Illustration 5: 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.
- Illustration 6: 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.

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 financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁴⁶ does not apply).**
- **The financial statements are prepared by management of the entity in accordance with 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 in ISA 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.**
- **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 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 differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

⁴⁶ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁴⁷

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 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, including material accounting policy information.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 Concern⁴⁸

In the context of our audit of the financial statements 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 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 Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

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

⁴⁷ The sub-title “Report on the Audit of the Financial Statements” 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 Statements⁴⁹

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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 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 and the auditor in relation to going concern.

Illustration 2 – An Auditor’s Report of a Listed Entity Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements About the Significant Judgments 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 financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRS 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 in ISA 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.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.**
- **Management has disclosed information about significant judgments 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 ISA 570 (Revised 202X) by referencing to the sections describing the respective responsibilities of management and of the auditor in relation to going concern.**
- **Key audit matters have been communicated in accordance with ISA 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 differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁵¹

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 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, including material accounting policy information.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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

In the context of our audit of the financial statements 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 is appropriate.

We draw attention to Note X in the financial statements, which describes the uncertainties faced by the Company, the significant judgments made by management in assessing the entity’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 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.

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

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.

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, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements 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 judgments 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 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 701.]

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵³

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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 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 and the auditor in relation to going concern.

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 Statements Is Adequate

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRS 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 in ISA 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.**
- **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 is adequate.**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 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 differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁵⁵

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 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, including material accounting policy information.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 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 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 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 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.

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

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵⁶

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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 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 and the auditor in relation to going concern.

Illustration 4 – 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 financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRS 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 in ISA 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.**
- **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 is adequate.**
- **Key audit matters have been communicated in accordance with ISA 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 differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁵⁸

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 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, including material accounting policy information.

In our opinion, the accompanying financial statements 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.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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, 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.

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

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 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 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.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements 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 701.]

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

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

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵⁹

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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 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 and the auditor in relation to going concern.

Illustration 5 – An Auditor’s Report of a Listed Entity Containing a Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are 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 financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRS 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 in ISA 210.**
- **The relevant ethical requirements that apply to the audit are 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 discusses the magnitude of financing arrangements, the expiration and the total financing arrangements; however the financial statements do not include discussion on the impact or the availability of refinancing or characterize this situation as a material uncertainty.**
- **The financial statements are 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 of this inadequate disclosure are material but not pervasive to the financial statements.**
- **Key audit matters have been communicated 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 qualified opinion on the financial statements also affects the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁶¹

Qualified Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 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, including material accounting policy information.

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 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.

Basis for Qualified Opinion

As discussed in Note Y, the Company’s financing arrangements expire and amounts outstanding are payable on 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 do not adequately disclose this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 statements.

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 statements 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.

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

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 6 in Appendix 2 of ISA 720 (Revised). The last paragraph of the other information section in Illustration 6 would be customized 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, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements 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 701.]

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁶²

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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]

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 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 and the auditor in relation to going concern.

Illustration 6 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Adverse Opinion When a Material Uncertainty Exists and 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 financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRS 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 in ISA 210.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The financial statements omit the required disclosures relating to the material uncertainty. An adverse opinion is being expressed because the effects on the financial statements of such omission are material and pervasive.**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters 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 also affects the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁶⁴

Adverse Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at 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, including material accounting policy information.

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 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.

Basis for Adverse Opinion

The Company’s financing arrangements expired and the amount outstanding was payable on December 31, 20X1. 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 do not adequately disclose this fact.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 statements.

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 statements 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.

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

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 7 in Appendix 2 of ISA 720 (Revised). The last paragraph of the other information section in Illustration 7 would be customized 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 for the Financial Statements⁶⁵

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

Report on Other Legal and Regulatory Requirements

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

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 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 and the auditor in relation to going concern.

Conforming and Consequential Amendments to Other ISAs Arising from the Revision of ISA 570 (Revised 2024), *Going Concern* – Approved

Clean Version

This Agenda Item includes the conforming and consequential amendments to other standards arising from the revisions of ISA 570 (Revised 2024) as approved by the IAASB at the plenary discussion on December 12, 2024.

ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

...

Application and Other Explanatory Material

...

Sufficient Appropriate Audit Evidence and Audit Risk (Ref: Para. 5 and 17)

...

Inherent Limitations of an Audit

...

Other Matters that Affect the Inherent Limitations of an Audit

A56. In the case of certain assertions or subject matters, the potential effects of the inherent limitations on the auditor's ability to detect material misstatements are particularly significant. Such assertions or subject matters include:

- Fraud, particularly fraud involving senior management or collusion. See ISA 240 for further discussion.
- The existence and completeness of related party relationships and transactions. See ISA 550¹ for further discussion.
- The occurrence of non-compliance with laws and regulations. See ISA 250 (Revised)² for further discussion.
- Future events or conditions that may cause an entity to cease to continue as a going concern. See ISA 570 (Revised 2024)³ for further discussion.

¹ ISA 550, *Related Parties*

² ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

³ ISA 570 (Revised 2024), *Going Concern*

Relevant ISAs identify specific audit procedures to assist in mitigating the effect of the inherent limitations.

...

ISA 210, AGREEING THE TERMS OF AUDIT ENGAGEMENTS

...

Application and Other Explanatory Material

...

Agreement on Audit Engagement Terms

...

*Audit Engagement Letter or Other Form of Written Agreement*⁴ (Ref: Para. 10–11)

...

Form and Content of the Audit Engagement Letter

A24. 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 ISA 200.⁵ Paragraphs 6(b) and 12 of this ISA 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, ISAs, 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 ISA 701.⁶~~
- 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 ISAs.
- Arrangements regarding the planning and performance of the audit, including the composition of the engagement team.
- The expectation that management will provide written representations (see also paragraph A13).

⁴ In the paragraphs that follow, any reference to an audit engagement letter is to be taken as a reference to an audit engagement letter or other suitable form of written agreement.

⁵ ISA 200, paragraphs 3–9.

⁶ ~~ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*~~

- The expectation that management will provide access to all information of which management is aware that is relevant to the preparation of the financial statements, including an expectation that management will provide access to information relevant to disclosures.
- The agreement of management to make available to the auditor draft financial statements, including all information relevant to their preparation, whether obtained from within or outside of the general and subsidiary ledgers (including all information relevant to the preparation of disclosures), and the other information,⁷ if any, in time to allow the auditor to complete the audit in accordance with the proposed timetable.
- The agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.
- The basis on which fees are computed and any billing arrangements.
- 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 statements.⁸
- 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 ISA 570 (Revised 2024).⁹
- The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with ISA 701.¹⁰

...

Appendix 1

(Ref: Para. A24–A26)

Example of an Audit Engagement Letter

...

[The responsibilities of the auditor]

We will conduct our audit in accordance with ISAs. Those standards require that we comply with ethical requirements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

...

⁷ As defined in ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

⁸ See ISA 570 (Revised 2024), *Going Concern*, paragraph 21.

⁹ ISA 570 (Revised 2024), paragraphs 34(b)(ii) and 35(b)

¹⁰ ISA 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 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.

...

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance]¹¹ acknowledge and understand that they have responsibility:

- (a) ...
- (b) ...
- (c) To provide us with:¹²
 - (i) Access to all information of which [management] is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (ii) Additional information that we may request from [management] for the purpose of the audit, such as a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence.

As part of our audit process, we will request from [management and, where appropriate, those charged with governance], written confirmation concerning representations made to us in connection with the audit.

...

ISA 220 (REVISED), QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

...

Application and Other Explanatory Material

...

Engagement Performance

...

Direction, Supervision and Review (Ref: Para. 30)

¹¹ Use terminology as appropriate in the circumstances.

¹² See paragraph A24 for examples of other matters relating to management’s responsibilities that may be included.

...

The Engagement Partner's Review (Ref: Para. 30-34)

...

A92. The engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgments. Significant judgments 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 composition of the engagement team, including:
 - Personnel using expertise in a specialized area of accounting or auditing;
 - The use of personnel from service delivery centers.
- The decision to involve an auditor's expert, including the decision to involve an external expert.
- The engagement team's consideration of information obtained in the acceptance and continuance process and proposed responses to that information.
- The engagement team's risk assessment process, including situations where consideration of inherent risk factors and the assessment of inherent risk requires significant judgment by the engagement team.
- The engagement team's consideration of related party relationships and transactions and disclosures.
- Results of the procedures performed by the engagement team on significant areas of the engagement, for example, conclusions in respect of certain accounting estimates, accounting policies or going concern considerations.
- The engagement team's evaluation of the work performed by experts and conclusions drawn therefrom.
- In group audit situations:
 - The proposed overall group audit strategy and group audit plan;
 - Decisions about the involvement of component auditors, including how to direct and supervise them and review their work ; and
 - The evaluation of work performed by component auditors and the conclusions drawn therefrom.
- How matters affecting the overall audit strategy and audit plan have been addressed.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.

- 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. ~~a “Material Uncertainty Related to Going Concern” paragraph.~~

...

ISA 230, AUDIT DOCUMENTATION

...

Application and Other Explanatory Material

...

Documentation of the Audit Procedures Performed and Audit Evidence Obtained

...

Documentation of Significant Matters and Related Significant Professional-Judgements (Ref: Para. 8(c))

...

A10. Some examples of circumstances in which, in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments 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 judgments made by management, for example management’s judgments in relation to the going concern basis of accounting.¹³
- 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.
- The basis for the auditor’s conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.
- When ISA 701 applies,¹⁴ the auditor’s determination of the key audit matters or the determination that there are no key audit matters to be communicated.

...

¹³ ISA 570 (Revised 2024), *Going Concern*

¹⁴ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

Appendix

(Ref: Para. 1)

Specific Audit Documentation Requirements in Other ISAs

This appendix identifies paragraphs in other ISAs that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 210, *Agreeing the Terms of Audit Engagements* – paragraphs 10–12
- ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* – paragraph 41
- ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 45–48
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraph 30
- ISA 260 (Revised), *Communication with Those Charged with Governance* – paragraph 24
- ISA 300, *Planning an Audit of Financial Statements* – paragraph 12
- ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement* – paragraph 38
- ISA 320, *Materiality in Planning and Performing an Audit* – paragraph 14
- ISA 330, *The Auditor’s Responses to Assessed Risks* – paragraphs 28–30
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraph 15
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 39
- ISA 550, *Related Parties* – paragraph 28
- ISA 570 (Revised 2024), *Going Concern* – paragraph 44
- ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph 59
- ISA 610 (Revised 2013), *Using the Work of Internal Auditors* – paragraph 36–37
- ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information* – paragraph 25

ISA 250 (REVISED), CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

...

Requirements

...

Communicating and Reporting Identified or Suspected Non-Compliance

...

Reporting Identified or Suspected Non-Compliance to an Appropriate Authority outside the Entity

29. 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.

...

Application and Other Explanatory Material

...

The Auditor’s Consideration of Compliance with Laws and Regulations

...

Procedures to Identify Instances of Non-Compliance—Other Laws and Regulations (Ref: Para. 6 and 15)

A13. 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 ~~continuance~~ continue as a going concern.¹⁵ 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 statements and are not captured by the entity’s information systems relevant to financial reporting.

...

Communicating and Reporting Identified or Suspected Non-Compliance

...

Reporting Identified or Suspected Non-Compliance to an Appropriate Authority outside the Entity (Ref: Para. 29)

- A28. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:
- (a) Law, regulation or relevant ethical requirements require the auditor to report (see paragraph A29);

¹⁵ See ISA 570 (Revised 2024), *Going Concern*

- (b) The auditor has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements (see paragraph A30); or
- (c) Law, regulation or relevant ethical requirements provide the auditor with the right to do so (see paragraph A31).

...

A31. Even if law, regulation or relevant ethical requirements do not include requirements that address reporting identified or suspected non-compliance, they may provide the auditor with the right to report identified or suspected non-compliance to an appropriate authority outside the entity. For example, when auditing the financial statements of financial institutions, the auditor may have the right under law or regulation to discuss matters such as identified or suspected non-compliance with laws and regulations with a supervisory authority.

...

ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

...

Application and Other Explanatory Material

...

Matters to Be Communicated

...

Significant Findings from the Audit (Ref: Para. 16)

...

Significant Difficulties Encountered during the Audit (Ref: Para. 16(b))

A21. Significant difficulties encountered during the audit may include such matters as:

- Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures.
- An unreasonably brief time within which to complete the audit.
- Extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- The unavailability of expected information.
- 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.¹⁶

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor’s opinion.¹⁷

...

Circumstances that Affect the Form and Content of the Auditor’s Report (Ref: Para 16(d))

...

A24. 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 ISAs, 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 ISA 705 (Revised).¹⁸
- A material uncertainty related to going concern is reported in accordance with ISA 570 (Revised 2024).¹⁹
- Key audit matters are communicated in accordance with ISA 701.²⁰
- The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matter paragraph in accordance with ISA 706 (Revised)²¹ or is required to do so by other ISAs.
- The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised).²²

In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor’s report to facilitate a discussion of how such matters will be addressed in the auditor’s report.

...

¹⁶ See ISA 570 (Revised 2024), *Going Concern*, paragraph 42(e)

¹⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*

¹⁸ ISA 705 (Revised), paragraph 30

¹⁹ ISA 570 (Revised 2024), *Going Concern*, paragraph 42(f) 25(d)

²⁰ ISA 701, paragraph 17

²¹ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*, paragraph 12

²² ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*, paragraph 18(a)

Appendix 1

(Ref: Para. 3)

Specific Requirements in ISQM 1 and Other ISAs that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ISQM 1²³ and other ISAs 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 ISAs.

- ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* – paragraph 34(e)
- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 22, 39(c)(i) and 41–43
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraphs 15, 20 and 23–25
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* – paragraph 9
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraphs 12–13
- ISA 505, *External Confirmations* – paragraph 9
- ISA 510, *Initial Audit Engagements—Opening Balances* – paragraph 7
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 38
- ISA 550, *Related Parties* – paragraph 27
- ISA 560, *Subsequent Events* – paragraphs 7(b)–(c), 10(a), 13(b), 14(a) and 17
- ISA 570 (Revised 2024), *Going Concern* – paragraphs 41–42 ~~25~~
- ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph 57
- ISA 610 (Revised 2013), *Using the Work of Internal Auditors* – paragraphs 20 and 31
- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* – paragraph 46.
- ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – paragraph 17
- ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report* – paragraphs 12, 14, 23 and 30
- ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* – paragraph 12

²³ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

- ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* – paragraph 18
- ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information* – paragraphs 17–19

...

ISA 315 (REVISED 2019), IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

...

Application and Other Explanatory Material

...

Risk Assessment Procedures and Related Activities (Ref: Para. 13-18)

A11. The risks of material misstatement to be identified and assessed include both those due to fraud and those due to error, and both are covered by this ISA. However, the significance of fraud is such that further requirements and guidance are included in ISA 240 in relation to risk assessment procedures and related activities to obtain information that is used to identify and assess the risks of material misstatement due to fraud.²⁴ In addition, the following ISAs provide further requirements and guidance on identifying and assessing risks of material misstatement regarding specific matters or circumstances:

- ISA 540 (Revised)²⁵ in regard to accounting estimates;
- ISA 550 in regard to related party relationships and transactions;
- ISA 570 (Revised 2024)²⁶ in regard to going concern; and
- ISA 600 (Revised)²⁷ in regard to group financial statements.

...

Evaluating the control environment (Ref: Para 21(b))

...

Information obtained from outside of the general and subsidiary ledgers

A138. Financial statements may contain information that is obtained from outside of the general and subsidiary ledgers. Examples of such information that the auditor may consider include:

- Information obtained from lease agreements relevant to disclosures in the financial statements.
- Information disclosed in the financial statements that is produced by an entity’s risk management system.

²⁴ ISA 240, paragraphs 12–27

²⁵ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

²⁶ ISA 570 (Revised 2024), *Going Concern*

²⁷ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

- Fair value information produced by management’s experts and disclosed in the financial statements.
- Information disclosed in the financial statements that has been obtained from models, or from other calculations used to develop accounting estimates recognized or disclosed in the financial statements, including information relating to the underlying data and assumptions used in those models, such as:
 - Assumptions developed internally that may affect an asset’s useful life; or
 - Data such as interest rates that are affected by factors outside the control of the entity.
- Information disclosed in the financial statements about sensitivity analyses derived from financial models that demonstrates that management has considered alternative assumptions.
- Information recognized or disclosed in the financial statements that has been obtained from an entity’s tax returns and records.
- Information disclosed in the financial statements that has been obtained from analyses prepared to support management’s assessment of the entity’s ability to continue as a going concern, such as disclosures, if any, related to events or conditions that have been identified that may cast significant doubt on the entity’s ability to continue as a going concern.²⁸

...

Identifying and Assessing Risks of Material Misstatement at the Financial Statement Level

A195. Risks of material misstatement at the financial statement level refer to risks that relate pervasively to the financial statements 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 statements supports the auditor’s assessment of the risks of material misstatement at the financial statement 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 statement level. In this situation, the accounting framework may need to be applied using a liquidation basis, which would likely affect all assertions pervasively.

...

²⁸ ISA 570 (Revised 2024), paragraphs A25 19-20

Appendix 1

(Ref: Para. A61-A67)

Considerations for Understanding the Entity and its Business Model

...

Objectives and Scope of an Entity's Business Model

...

4. 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 statement 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**.

...

ISA 450, EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT

...

Application and Other Explanatory Material

...

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 10–11)

...

- A17. 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 statements 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 judgment. Examples where such misstatements may be material include:
 - Inaccurate or incomplete descriptions of information about the objectives, policies and processes for managing capital for entities with insurance and banking activities.

- 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.²⁹
- The incorrect description of an accounting policy relating to a significant item in the statement of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows.
- The inadequate description of the sensitivity of an exchange rate in an entity that undertakes international trading activities.

...

ISA 500, AUDIT EVIDENCE

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) explains what constitutes audit evidence in an audit of financial statements, and deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.
2. This ISA is applicable to all the audit evidence obtained during the course of the audit. Other ISAs deal with specific aspects of the audit (for example, ISA 315 (Revised 2019)³⁰), the audit evidence to be obtained in relation to a particular topic (for example, ISA 570 (Revised 2024)³¹), specific procedures to obtain audit evidence (for example, ISA 520³²), and the evaluation of whether sufficient appropriate audit evidence has been obtained (ISA 200³³ and ISA 330³⁴).

...

ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES

...

Application and Other Explanatory Material

...

²⁹ ISA 570 (Revised 2024), Going Concern, paragraphs 32-33

³⁰ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

³¹ ISA 570 (Revised 2024), *Going Concern*

³² ISA 520, *Analytical Procedures*

³³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

³⁴ ISA 330, *The Auditor's Responses to Assessed Risks*

Appendix

(Ref: Para A8)

Illustrations of Auditors' Reports with Modified Opinions

Illustration 1:

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

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³⁵ does not apply).

...

- 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 2024).³⁶

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements³⁷

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern³⁸

In the context of our audit of the financial statements 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 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.

³⁵ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

³⁶ ISA 570 (Revised 2024), *Going Concern*

³⁷ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

³⁸ 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.

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

...

Illustration 2:

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **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 2024).**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements³⁹

Opinions

...

Basis for Opinions, Including Basis for Qualified Opinion on the Financial Performance and Cash Flows

...

Going Concern

No Material Uncertainty Related to Going Concern⁴⁰

In the context of our audit of the financial statements 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 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.

³⁹ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁴⁰ 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.

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

...

ISA 540 (REVISED), AUDITING ACCOUNTING ESTIMATES AND RELATED DISCLOSURES

...

Application and Other Explanatory Material

...

Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 4, 16)

...

Estimation Uncertainty (Ref: Para. 16(a))

...

A75. In some cases, the estimation uncertainty relating to an accounting estimate may affect the auditor’s professional judgment as to whether a material uncertainty exists related to events or conditions that may cast significant doubt about on the entity’s ability to continue as a going concern. ISA 570 (Revised 2024)⁴¹ establishes requirements and provides guidance in such circumstances.

...

Indicators of Possible Management Bias (Ref: Para. 32)

...

A135. 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,⁴² including the need to further question the appropriateness of management’s judgments in making accounting estimates. Further, indicators of possible management bias may affect the auditor’s conclusion as to whether the financial statements as a whole are free from material misstatement, as discussed in ISA 700 (Revised).⁴³

...

⁴¹ ISA 570, (Revised 2024), *Going Concern*

⁴² ISA 570 (Revised 2024), paragraphs A68-A71

⁴³ ISA 700 (Revised), paragraph 11

ISA 560, SUBSEQUENT EVENTS

...

Application and Other Explanatory Material

...

Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report (Ref: Para. 6–9)

...

Inquiry (Ref: Para. 7(b))

A9. In inquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred that might affect the financial statements, the auditor may inquire as to the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific inquiries about the following matters:

- Whether new commitments, borrowings or guarantees have been entered into.
- Whether sales or acquisitions of assets have occurred or are planned.
- Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or debentures, or an agreement to merge or liquidate has been made or is planned.
- Whether any assets have been appropriated by government or destroyed, for example, by fire or flood.
- Whether there have been any developments regarding contingencies.
- Whether any unusual accounting adjustments have been made or are contemplated.
- Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial statements, 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 statements assumption.
- Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements.
- Whether any events have occurred that are relevant to the recoverability of assets.

...

ISA 580, WRITTEN REPRESENTATIONS

...

Appendix 1

(Ref: Para 2)

List of ISAs Containing Requirements for Written Representations

This appendix identifies paragraphs in other ISAs that require subject-matter specific written representations. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraph 40
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraph 17
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraph 14
- ISA 501, *Audit Evidence—Specific Considerations for Selected Items* – paragraph 12
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 37
- ISA 550, *Related Parties* – paragraph 26
- ISA 560, *Subsequent Events* – paragraph 9
- ISA 570 (Revised 2024), *Going Concern* – paragraphs 39–40 ~~16(e)~~
- ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* – paragraph 9
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraph 13(c)

...

Appendix 2

(Ref: Para A21)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other ISAs. It is assumed in this illustration that the applicable financial reporting framework is International Financial Reporting Standards; the requirement of ISA 570 (Revised 2024)⁴⁴ to obtain a written representation is not relevant; and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

...

⁴⁴ ISA 570 (Revised 2024), *Going Concern*

ISA 600 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

...

Requirements

...

Understanding the Group and its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control

...

Considerations When Component Auditors Are Involved

31. The group auditor shall communicate to component auditors on a timely basis: (Ref: Para. A106)

- (a) Matters that the group auditor determines to be relevant to the component auditor's design or performance of risk assessment procedures for the purposes of the group audit;
- (b) In applying ISA 550,⁴⁵ related party relationships or transactions identified by group management, and any other related parties of which the group auditor is aware, that are relevant to the work of the component auditor; and (Ref: Para. A107)
- (c) In applying ISA 570 (Revised 2024),⁴⁶ events or conditions identified by group management or the group auditor, that may cast significant doubt on the group's ability to continue as a going concern that are relevant to the work of the component auditor.

...

Appendix 1

(Ref: Para. A45)

Illustration of Independent Auditor's Report Where the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

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

- Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

⁴⁵ ISA 550, *Related Parties*, paragraph 17

⁴⁶ ISA 570 (Revised 2024), *Going Concern*

- **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 2024).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.⁴⁷**

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Consolidated Financial Statements⁴⁸

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁴⁹

In the context of our audit of the financial statements 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 statements 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 Company's ability to continue as a going concern.

...

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

...

⁴⁷ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁴⁸ The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁴⁹ 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.

ISA 610 (REVISED 2013), USING THE WORK OF INTERNAL AUDITORS

...

Application and Other Explanatory Material

...

Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used

Factors Affecting the Determination of the Nature and Extent of the Work of the Internal Audit Function that Can Be Used (Ref: Para. 17–19)

...

Judgments in planning and performing audit procedures and evaluating results (Ref: Para. 18(a), 30(a))

...

A19. Since the external auditor has sole responsibility for the audit opinion expressed, the external auditor needs to make the significant judgments in the audit engagement in accordance with paragraph 18. Significant judgments 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; and
- Evaluating the adequacy of disclosures in the financial statements, and other matters affecting the auditor’s report.

...

ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

...

Requirements

...

Auditor’s Report

...

Auditor’s Report for Audits Conducted in Accordance with International Standards on Auditing

...

Going Concern

29. ~~Where applicable, the~~ auditor shall report in accordance with ISA 570 (Revised 2024).⁵⁰

...

Responsibilities for the Financial Statements

...

34. This section of the auditor's report shall describe management's responsibility for: (Ref: Para. A46–A49)

- (a) Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (b) Assessing the entity's ability to continue as a going concern⁵¹ and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management's responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate. (Ref: Para. A49)

...

Auditor's Report Prescribed by Law or Regulation

50. 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 International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A71–A72)

- (a) A title.
- (b) An addressee, as required by the circumstances of the engagement.
- (c) An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 27).
- (d) An identification of the entity's financial statements that have been audited.
- (e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

⁵⁰ ISA 570 (Revised 2024), *Going Concern*, paragraphs ~~34–38~~ 21–23

⁵¹ ISA 570 (Revised 2024), paragraph 2

- (i) The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.
- (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.
- (f) ~~Where applicable, a~~ section that addresses, and is not inconsistent with, the reporting requirements in paragraphs ~~34–35 and 36(c) 22~~ of ISA 570 (Revised 2024).
- (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 ISA 570 (Revised 2024).
- (h) Where applicable, a section that includes the information required by ISA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that ISA.⁵² (Ref: Para. A73–A76)
- (i) Where applicable, a section that addresses the reporting requirements in paragraph 24 of ISA 720 (Revised).
- (j) A description of management's responsibilities for the preparation of the financial statements and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements in paragraphs 33–36.
- (k) A reference to International Standards on Auditing and the law or regulation, and a description of the auditor's responsibilities for an audit of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 37–40. (Ref: Para. A51–A54)
- (l) For audits of complete sets of general purpose financial statements of listed entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.
- (m) The auditor's signature.
- (n) The auditor's address.
- (o) The date of the auditor's report.

...

Appendix

(Ref: Para A19)

Illustrations of Independent Auditor's Reports on Financial Statements

...

⁵² ISA 701, paragraphs 11-16

Illustration 1 – Auditor’s Report on Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

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

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
...
- **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 2024).**
- **Key Audit Matters have been communicated in accordance with ISA 701.**
...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Financial Statements⁵³

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁵⁴

In the context of our audit of the financial statements 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 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.

...

⁵³ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁵⁴ 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.

Key Audit Matters

...

Illustration 2 – Auditor’s Report on Consolidated Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

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

- Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

- 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 2024).

- Key Audit Matters have been communicated in accordance with ISA 701.

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Consolidated Financial Statements⁵⁵

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁵⁶

In the context of our audit of the financial statements 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 statements 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.

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

⁵⁶ 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.

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

...

Illustration 3 – Auditor’s Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a Fair Presentation Framework

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **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 2024).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR’S REPORT

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

Opinion

...

Basis for Opinion

...

Going Concern

*No Material Uncertainty Related to Going Concern*⁵⁷

In the context of our audit of the financial statements 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 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.

⁵⁷ 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.

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 and Auditor’s Report Thereon”]

...

Illustration 4 – Auditor’s Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a General Purpose Compliance Framework

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

- **Audit of a complete set of financial statements of an entity other than a listed entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **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 2024).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁵⁸

In the context of our audit of the financial statements 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 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.

⁵⁸ 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.

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 and Auditor’s Report Thereon”]

...

ISA 701, COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR’S REPORT

Introduction

Scope of this ISA

...

4. Communicating key audit matters in the auditor’s report is in the context of the auditor having formed an opinion on the financial statements as a whole. Communicating key audit matters in the auditor’s report is not:
 - (a) A substitute for disclosures in the financial statements 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 ISA 705 (Revised);⁵⁹
 - (c) A substitute for reporting in accordance with ISA 570 (Revised 2024);⁶⁰ ~~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;~~
 - (d) A separate opinion on individual matters. (Ref: Para. A5-A8)

...

Requirements

...

Communicating Key Audit Matters

...

⁵⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*

⁶⁰ ISA 570 (Revised 2024), *Going Concern*, paragraphs 34-38 ~~22-23~~

Interaction between Descriptions of Key Audit Matters and Other Elements Required to Be Included in the Auditor's Report

15. The following are, by their nature, key audit matters: ~~A~~ a 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:

- (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 or the Going Concern section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)

...

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 2)

...

A6. When the auditor expresses a qualified or adverse opinion in accordance with ISA 705 (Revised), presenting the description of a matter giving rise to a modified opinion in the Basis for Qualified (Adverse) Opinion section helps to promote intended users' understanding and to identify such circumstances when they occur. Separating the communication of this matter from other key audit matters described in the Key Audit Matters section therefore gives it the appropriate prominence in the auditor's report (see paragraph 15). The Appendix in ISA 705 (Revised) includes illustrative examples of how the introductory language in the Key Audit Matters section is affected when the auditor expresses a qualified or adverse opinion and other key audit matters are communicated in the auditor's report. Paragraph A58 of this ISA illustrates how the Key Audit Matters section is presented when the auditor has determined that there are no other key audit matters to be communicated in the auditor's report beyond matters addressed in the Basis for Qualified (Adverse) Opinion section or Material Uncertainty Related to Going Concern section of the auditor's report.

...

Communicating Key Audit Matters

...

Reference to Where the Matter is Disclosed in the Financial Statements (Ref: Para. 13)

...

A41. 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 statements 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 ISA 570 (Revised) 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 ISA 570 (Revised) 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 statements, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors.⁶⁴~~

...

How the Matter Was Addressed in the Audit (Ref: Para. 13(b))

...

Form and Content of the Key Audit Matters Section in Other Circumstances (Ref: Para. 16)

...

A58. The following illustrates the presentation in the auditor's report if the auditor has determined there are no key audit matters to communicate:

Key Audit Matters

[Except for the matter described in the *Basis for Qualified (Adverse) Opinion* section or *Material Uncertainty Related to Going Concern* section,] We have determined that there are no [other] key audit matters to communicate in our report.

ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

...

Requirements

...

Form and Content of the Auditor's Report When the Opinion Is Modified

Auditor's Opinion

⁶⁴ See paragraph A3 of ISA 570 (Revised).

...

Disclaimer of Opinion

19. 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 statements;
 - (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 statements; and
 - (c) Amend the statement required by paragraph 24(b) of ISA 700 (Revised), which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements.
 - (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.

...

Considerations When the Auditor Disclaims an Opinion on the Financial Statements

29. Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include a section on:
- (a) ~~a Key Audit Matters section~~ in accordance with ISA 701;⁶²
 - (b) Going Concern in accordance with ISA 570 (Revised 2024);⁶³
 - (c) Material Uncertainty Related to Going Concern in accordance with ISA 570 (Revised 2024);⁶⁴
and
 - (d) ~~An Other Information section~~ in accordance with ISA 720 (Revised).⁶⁵ (Ref: Para. A26)

...

Application and Other Explanatory Material

...

Form and Content of the Auditor's Report When the Opinion Is Modified

⁶² ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraphs 11–13

⁶³ ISA 570 (Revised 2024), *Going Concern*, paragraph 34

⁶⁴ ISA 570 (Revised 2024), paragraphs 35–36

⁶⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraphs 11–13

⁶⁶ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph A54

Illustrative Auditor’s Reports (Ref: Para. 16)

- A17. Illustrations 1 and 2 in the Appendix contain auditor’s reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.
- A18. Illustration 3 in the Appendix contains an auditor’s report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence. Illustration 4 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the financial statements. Illustration 5 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive. The Appendices to other ISAs that include reporting requirements, including ISA 570 (Revised 2024),⁶⁷ also include illustrations of auditor’s reports with modified opinions.

...

Considerations When the Auditor Disclaims an Opinion on the Financial Statements (Ref: Para. 29)

- A26. 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 statements 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 statements 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 statements as a whole. Similarly, it would not be appropriate to include an Other Information section in accordance with ISA 720 (Revised) addressing the auditor’s consideration of the consistency of the other information with the financial statements. Accordingly, paragraph 29 of this ISA 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 statements, unless the auditor is otherwise required by law or regulation to communicate key audit matters or to report on other information.

...

Appendix

(Ref: Para A17-A18, A25)

Illustrations of Independent Auditor’s Reports with Modifications to the Opinion

...

Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements

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

⁶⁷ ISA 570 (Revised), *Going Concern*

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁶⁸ does not apply).**
- ...
- **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 2024).**
- **Key audit matters have been communicated in accordance with ISA 701.**
- ...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements⁶⁹

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁷⁰

In the context of our audit of the financial statements 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 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 Information [or other title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

⁶⁸ ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁶⁹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁷⁰ 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.

Key Audit Matters

...

Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements

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

- Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

- 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 2024).

- ISA 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.

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Consolidated Financial Statements⁷¹

Adverse Opinion

...

Basis for Adverse Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁷²

In the context of our audit of the financial statements 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 statements 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.

⁷¹ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁷² 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.

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 other title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Key Audit Matters

...

Illustration 3 – Qualified Opinion due to the Auditor’s Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate

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

- **Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

- **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 2024).**

- **Key audit matters have been communicated in accordance with ISA 701.**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Consolidated Financial Statements⁷³

Qualified Opinion

...

Basis for Qualified Opinion

...

⁷³ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Going Concern

No Material Uncertainty Related to Going Concern⁷⁴

In the context of our audit of the financial statements 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 statements 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 Company’s ability to continue as a going concern.

...

Other Information [or other title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Key Audit Matters

...

Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

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

- **Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Consolidated Financial Statements⁷⁵

Disclaimer of Opinion

...

⁷⁴ 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.

⁷⁵ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Basis for Disclaimer of Opinion

The Group's investment in its joint venture XYZ Company is carried at xxx on the Group's consolidated statement of financial position, which represents over 90% of the Group's net assets as at December 31, 20X1. We were not allowed access to the management and the auditors of XYZ Company, including XYZ Company's auditors' 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 Company's assets that it controls jointly, its proportional share of XYZ Company'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 statements 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.

...

Illustration 5 – Disclaimer of Opinion due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised), does not apply).**

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements⁷⁶

Disclaimer of Opinion

...

Basis for Disclaimer of Opinion

We were not appointed as auditors of the Company until after December 31, 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 December 31, 20X0 and 20X1, which are stated in the statements of financial position at xxx and xxx, respectively. In addition, the introduction of a new computerized accounts receivable system in September 20X1 resulted in numerous

⁷⁶ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

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 xxx as at December 31, 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 statements 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.

...

ISA 706 (REVISED), EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR’S REPORT

Introduction

Scope of this ISA

...

3. ISA 570 (Revised 2024)⁷⁷ and ISA 720 (Revised)⁷⁸ establishes requirements and provides guidance about communication in the auditor’s report relating to going concern and other information respectively.

...

Application and Other Explanatory Material

...

Circumstances in Which an Emphasis of Matter Paragraph May Be Necessary (Ref: Para. 4, 8)

...

- A5. 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 statements and the date of the auditor’s report.⁷⁹

⁷⁷ ISA 570 (Revised 2024), *Going Concern*

⁷⁸ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

⁷⁹ ISA 560, paragraph 6

- Early application (where permitted) of a new accounting standard that has a material effect on the financial statements.
- A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position.

...

Including an Emphasis of Matter Paragraph in the Auditor's Report (Ref: Para. 9)

...

- A7. 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 ISA 705 (Revised) when required by the circumstances of a specific audit engagement;
 - (b) Disclosures in the financial statements 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 ISA 570 (Revised 2024)⁸⁰ ~~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.~~

...

Placement of Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor's Report (Ref: Para. 9, 11)

- A16. 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 judgment as to the relative significance of such information to intended users compared to other elements required to be reported in accordance with ISA 700 (Revised). 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,⁸¹ the auditor may consider it necessary to place the paragraph immediately following the ~~Basis for 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 judgment 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

⁸⁰ ISA 570 (Revised 2024), paragraphs ~~34-38~~ 22-23

⁸¹ For example, as required by ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 19 and ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, paragraph 14

as “Emphasis of Matter – Subsequent Event”, to differentiate the Emphasis of Matter paragraph from the individual matters described in the Key Audit Matters section.

Other Matter Paragraphs

...

Appendix 3

(Ref: Para A17)

Illustration of an Independent Auditor’s Report that Includes a Key Audit Matters Section, an Emphasis of Matter Paragraph, and an Other Matter Paragraph

...

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

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁸² does not apply).

...

- 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 2024).

...

- Key audit matters have been communicated in accordance with ISA 701.

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements⁸³

Opinion

...

Basis for Opinion

...

⁸² ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁸³ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Going Concern

No Material Uncertainty Related to Going Concern⁸⁴

In the context of our audit of the financial statements 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 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.

...

Emphasis of Matter⁸⁵

...

Key Audit Matters

...

Other Matter

...

Appendix 4

(Ref: Para A8)

Illustration of an Independent Auditor’s Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

...

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

⁸⁴ 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.

⁸⁵ As noted in paragraph A16, an Emphasis of Matter paragraph may be presented either directly before or after the Key Audit Matter section based on the auditor’s judgement as to the relative significance of the information included in the Emphasis of Matter paragraph.

- **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 2024).**

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements⁸⁶

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁸⁷

In the context of our audit of the financial statements 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 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.

...

Emphasis of Matter – Effects of a Fire

...

ISA 710, COMPARATIVE INFORMATION—CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

...

Appendix

(Ref: Para A5, A7, A10)

⁸⁶ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁸⁷ 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.

Illustrations of Independent Auditors' Reports

...

Illustration 1 – Corresponding Figures

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

- Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁸⁸ does not apply).

...

- 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 2024).⁸⁹

- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements⁹⁰

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁹¹

In the context of our audit of the financial statements 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 is appropriate. Based on the audit evidence obtained, we have not identified a material

⁸⁸ ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁸⁹ ISA 570 (Revised 2024), *Going Concern*

⁹⁰ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁹¹ 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.

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.

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁹²

...

Illustration 2 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **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 2024).**

- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements⁹³

Qualified Opinion

...

Basis for Qualified Opinion

...

⁹² 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.

⁹³ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Going Concern

No Material Uncertainty Related to Going Concern⁹⁴

In the context of our audit of the financial statements 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 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.

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁹⁵

...

Illustration 3 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **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 2024).**

- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements⁹⁶

Opinion

⁹⁴ 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.

⁹⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁹⁶ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁹⁷

In the context of our audit of the financial statements 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 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

...

Illustration 4 – Comparative Financial Statements

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

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **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 2024).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements⁹⁸

⁹⁷ 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.

⁹⁸ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern⁹⁹

In the context of our audit of the financial statements 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 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.

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements¹⁰⁰

...

ISA 720 (REVISED), THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

...

Application and Other Explanatory Material

...

Reading and Considering the Other Information (Ref: Para. 14-15)

...

Considering Whether There Is a Material Inconsistency between the Other Information and the Auditor's Knowledge Obtained in the Audit (Ref: Para. 14(b))

...

A32. 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

⁹⁹ 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.

¹⁰⁰ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

on intangible assets such as goodwill, or when evaluating management’s assessment of the entity’s ability to continue as a going concern.¹⁰¹

...

Appendix 2

(Ref: Para. 21-22, A53)

Illustration of Independent Auditor’s Reports Relating to Other Information

...

Illustration 1 – An auditor’s report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.

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

- Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)¹⁰² does not apply).

...

- 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 2024).¹⁰³
- Key audit matters have been communicated in accordance with ISA 701.¹⁰⁴

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements¹⁰⁵

Opinion

...

¹⁰¹ ISA 570 (Revised 2024), *Going Concern*

¹⁰² ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

¹⁰³ ISA 570 (Revised 2024), *Going Concern*

¹⁰⁴ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*. The Key Audit Matters section is required for listed entities only.

¹⁰⁵ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹⁰⁶

In the context of our audit of the financial statements 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 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.

...

Key Audit Matters¹⁰⁷

...

Illustration 2 – An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

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

- Audit of a complete set of financial statements of a listed entity, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

- 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 2024).
- Key Audit Matters have been communicated in accordance with ISA 701.

...

INDEPENDENT AUDITOR'S REPORT

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

¹⁰⁶ 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.

¹⁰⁷ The Key Audit Matters section is required for listed entities only.

Report on the Audit of Financial Statements¹⁰⁸

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹⁰⁹

In the context of our audit of the financial statements 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 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.

...

Key Audit Matters

...

Illustration 3 – An auditor’s report of an entity other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of an entity other than a listed entity, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **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 2024).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

¹⁰⁸ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

¹⁰⁹ 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.

...

INDEPENDENT AUDITOR’S REPORT

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

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹¹⁰

In the context of our audit of the financial statements 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 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 Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Illustration 4 – An auditor’s report of a listed entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor’s report but expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **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 2024).**

¹¹⁰ 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.

- **Key audit matters have been communicated in accordance with ISA 701.**
- ...

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of Financial Statements¹¹¹

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹¹²

In the context of our audit of the financial statements 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 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.

...

Key Audit Matters

...

Illustration 5 – An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.

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

- **Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

¹¹¹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

¹¹² 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.

...

- **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 2024).**
- **Key audit matters have been communicated in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

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

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹¹³

In the context of our audit of the financial statements 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 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 Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

Illustration 6 – An auditor's report of any entity, whether listed or other than listed, containing an qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

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

¹¹³ 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.

- **Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**
- ...
- **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 2024).**
- **Key audit matters have been communicated in accordance with ISA 701.**
- ...

INDEPENDENT AUDITOR'S REPORT

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

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹¹⁴

In the context of our audit of the financial statements 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 statements 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 Company's ability to continue as a going concern.

...

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

...

¹¹⁴ 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.

Illustration 7 – An auditor’s report of any entity, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and the adverse opinion on the consolidated financial statements also affects the other information.

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

- Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).

...

- 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 2024).

- Key audit matters have been communicated in accordance with ISA 701.

...

INDEPENDENT AUDITOR’S REPORT

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

Adverse Opinion

...

Basis for Adverse Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹¹⁵

In the context of our audit of the financial statements 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 statements 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 Company’s ability to continue as a going concern.

...

¹¹⁵ 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.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

ISA 800 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

A13. The Appendix to this ISA contains illustrations of independent auditor’s reports on special purpose financial statements. Other illustrations of auditor’s reports may be relevant to reporting on special purpose financial statements (see for example, the Appendices to ISA 700 (Revised), ISA 705 (Revised),¹¹⁶ ISA 570 (Revised 2024),¹¹⁷ ISA 720 (Revised),¹¹⁸ and ISA 706 (Revised)).¹¹⁹

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

...

Going Concern

A15. Special purpose financial statements 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 prepared on a tax basis in particular jurisdictions).¹²⁰ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial statements, the description in the auditor’s report of management’s responsibilities¹²¹ relating to going concern may need to be adapted as necessary. The description in the auditor’s report of the auditor’s responsibilities¹²² may also need to be adapted as necessary depending on how ISA 570 (Revised 2024) applies in the circumstances of the engagement.

...

¹¹⁶ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*

¹¹⁷ ISA 570 (Revised 2024), *Going Concern*

¹¹⁸ ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*

¹¹⁹ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

¹²⁰ ISA 570 (Revised 2024), paragraph 2

¹²¹ See ISA 700 (Revised), paragraphs 34(b) and A48.

¹²² See ISA 700 (Revised), paragraph 39(b)(iv).

Appendix

(Ref: Para. A14)

Illustrations of Independent Auditor's Reports on Special Purpose Financial Statements

...

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

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

- The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.

...

- 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 2024).

...

- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹²³

In the context of our audit of the financial statements 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

¹²³ 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.

financial statements 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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements¹²⁴

...

Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

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

- **Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax return. Management does not have a choice of financial reporting frameworks.**

...

- **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 2024).**

...

- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

¹²⁴ 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.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

No Material Uncertainty Related to Going Concern¹²⁵

In the context of our audit of the financial statements 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 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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements¹²⁶

...

Illustration 3: An auditor's report on a complete set of financial statements of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

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

- **Audit of a complete set of financial statements of a listed entity that have been prepared by management of the entity in accordance with the financial reporting provisions established**

¹²⁵ 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.

¹²⁶ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.

...

- 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 financial statements is adequate.

...

- The auditor is required by the regulator to communicate key audit matters in accordance with ISA 701.

...

INDEPENDENT AUDITOR'S REPORT

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

Opinion

...

Basis for Opinion

...

Emphasis of Matter – Basis of Accounting

We draw attention to Note ~~Y~~X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note ~~6~~X in the financial statements, 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 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a 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 ISA 570 (Revised 2024).]

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.

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 statements 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, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements 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 above, we have determined the matters described below to be key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA 701 as applied to this audit.]

Other Matter

...

ISA 805 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

...

Requirements

...

Forming an Opinion and Reporting Considerations

...

Reporting on the Entity's Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of Those Financial Statements

...

14. If the auditor's report on an entity's complete set of financial statements includes:
 - (a) A modified opinion in accordance with ISA 705 (Revised);¹²⁷
 - (b) An Emphasis of Matter paragraph or an Other Matter paragraph in accordance with ISA 706 (Revised);¹²⁸

¹²⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹²⁸ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

- (c) A Material Uncertainty Related to Going Concern section in accordance with ISA 570 (Revised 2024);¹²⁹
- (d) Communication of key audit matters in accordance with ISA 701;¹³⁰ or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised);¹³¹

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

...

Application and Other Explanatory Material

...

Considerations When Accepting the Engagement

Application of ISAs (Ref: Para. 7)

...

- A6. Compliance with the requirements of ISAs relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity's complete set of financial statements. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's complete set of financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's complete set of financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of ISA 570 (Revised 2024) are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with ISAs may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

...

¹²⁹ ISA 570 (Revised 2024), *Going Concern*, paragraphs 35-36 22

¹³⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13

¹³¹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii)

Considerations When Planning and Performing the Audit (Ref: Para. 10)

A10. The relevance of each of the ISAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, ISAs such as ISA 240,¹³² ISA 550¹³³ and ISA 570 (Revised 2024) are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ISA 700 (Revised), ISA 705 (Revised), ISA 570 (Revised 2024), ISA 720 (Revised), and ISA 706 (Revised)).

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

...

Going Concern

A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities¹³⁴ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities¹³⁵ may also need to be adapted as necessary depending on how ISA 570 (Revised 2024) applies in the circumstances of the engagement.

...

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

...

¹³² ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹³³ ISA 550, *Related Parties*

¹³⁴ See ISA 700 (Revised), paragraphs 34(b) and A48.

¹³⁵ See ISA 700 (Revised), paragraphs 39(b)(iv).

Illustration 1: An auditor’s report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

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

- Audit of a balance sheet (that is, a single financial statement) of an entity other than a listed entity.
- ...
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- ...
- 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.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701 in the context of the audit of the balance sheet.
- ...

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Material Uncertainty Related to Going Concern

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.

Our opinion is not modified in respect of this matter.

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.

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.

Responsibilities of Management and Those Charged with Governance for the Financial Statement¹³⁶

...

Illustration 2: An auditor’s report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework.

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

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity.**

...

- **The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.¹³⁷**

...

- **The going concern basis of accounting is not relevant in the preparation of the statement of cash receipts and disbursements. 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).**

- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701 in the context of the audit of the statement of cash receipts and disbursements.**

...

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

¹³⁶ 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.

¹³⁷ ISA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement¹³⁸

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

~~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.~~

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

¹³⁸ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control.¹³⁹
- ~~• 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.~~
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

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

...

Illustration 3: An auditor’s report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework.

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

- **Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).**
- **The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.**¹⁴⁰
- **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**

¹³⁹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

¹⁴⁰ ISA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

~~significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).~~

- ~~The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701 in the context of the audit of the accounts receivable schedule.~~

...

INDEPENDENT AUDITOR'S REPORT

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

Opinion

...

Basis for Opinion

...

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note x to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Schedule¹⁴¹

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.

~~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.~~

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise

¹⁴¹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.¹⁴²
- ~~• 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 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.~~
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

...

¹⁴² This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

ISA 810 (REVISED), ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

...

Requirements

...

Auditor's Report on Summary Financial Statements

...

Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. A23)

19. When the auditor's report on the audited financial statements includes:

- (a) A qualified opinion in accordance with ISA 705 (Revised);¹⁴³
- (b) An Emphasis of Matter paragraph or an Other Matter paragraph in accordance with ISA 706 (Revised);¹⁴⁴
- (c) *A Material Uncertainty Related to Going Concern* section in accordance with ISA 570 (Revised 2024);¹⁴⁵
- (d) A *Going Concern* 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;¹⁴⁶
- (e) Communication of key audit matters in accordance with ISA 701;¹⁴⁷ or
- (f) A statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised);¹⁴⁸

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:

- (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 *Material Uncertainty Related to Going Concern* section, or a *Going Concern* section that refers to significant judgments made by management in concluding that there is no material uncertainty, communication of key audit

¹⁴³ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁴⁴ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

¹⁴⁵ ISA 570 (Revised 2024), ~~*Going Concern*~~, paragraphs ~~35-36~~ 22

¹⁴⁶ ISA 570 (Revised 2024), paragraph 34(b)

¹⁴⁷ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁴⁸ ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*

- matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
- (ii) Describe: (Ref: Para. A22)
- a. The basis for the qualified opinion on the audited financial statements and the effect thereof, if any, on the summary financial statements;
 - b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, ~~or~~ the *Material Uncertainty Related to Going Concern* section, or the *Going Concern* section that refers to significant judgments made by management in concluding that there is no material uncertainty, in the auditor's report on the audited financial statements and the effect(s) thereof, if any, on the summary financial statements; or
 - c. The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon. (Ref: Para. A15)

...

Appendix

(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

...

Illustration 1:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements of a listed entity.**
- ...
- **The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section.**
- **The auditor's report on the audited financial statements includes communication of other key audit matters.¹⁴⁹**

¹⁴⁹ 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).

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

...

Summary Financial Statements

...

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. That report also includes:

- A *Material Uncertainty Related to Going Concern* 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 in Note 5Y of the summary financial statements.¹⁵⁰
- The communication of other ¹⁵¹ key audit matters. [Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.]¹⁵²

...

IAPN 1000, SPECIAL CONSIDERATIONS IN AUDITING FINANCIAL INSTRUMENTS

...

Appendix

(Ref: Para. A14)

Examples of Controls Relating to Financial Instruments

...

17. Financial instruments may have the associated risk that a loss might exceed the amount, if any, of the value of the financial instrument recognized on the balance sheet. For example, a sudden fall in

¹⁵⁰ 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)

¹⁵¹ In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

¹⁵² The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

the market price of a commodity may force an entity to realize losses to close a forward position in that commodity due to collateral, or margin, requirements. In some cases, the potential losses may ~~be enough to~~ indicate an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. The entity may perform sensitivity analyses or value-at-risk analyses to assess the future hypothetical effects on financial instruments subject to market risks. However, value-at-risk analysis does not fully reflect the extent of the risks that may affect the entity; sensitivity and scenario analyses also may be subject to limitations.



AUASB Agenda Paper

Title:	Listed Entity and PIE (Track 2) – Alignment of Definitions and Key Concepts with Code of Ethics	Date:	19 February 2025
Office of the AUASB Staff:	Rene Herman	Agenda Item:	7

Objective of this Agenda Paper

1. The objective of this Agenda Item is to seek the AUASB’s views on the AUASB’s response to the IAASB’s [Post-Exposure Consultation – Track 2 of the Listed Entity and PIE Project](#) (Consultation Paper) on deferring a decision on whether to adopt the Public Interest Entity (PIE) definition for differential requirements in IAASB standards.

Question for AUASB members

No.	Question for AUASB members
1	Do AUASB members agree with the recommendation in paragraph 8 below: <ul style="list-style-type: none">• To make a brief submission to the IAASB supporting the deferral of a decision on whether to adopt the PIE definition for differential requirements in IAASB standards; and• The submission will be approved and signed by the Chair.

Background and Previous Discussions on Topic

2. The [IAASB PIE Track 2 ED](#)¹ was issued in early January 2024 for 90-day comment period. The IAASB proposed two key revisions:
 - (a) align definitions and requirements in IAASB standards with new definitions for ‘publicly traded entity’ (PTE) and PIEs in the IESBA Code; and
 - (b) extend existing differential requirements for listed entities to audits of PIEs, including extending KAMs and the requirement for an engagement quality review to PIEs.
3. Because many jurisdictions have not yet adopted the PIE definition in their equivalent of the IESBA Code, the IAASB has decided to issue a [Consultation Paper](#) in February 2025 proposing to delay a decision on using the PIE definition for differential requirements under IAASB standards.
4. The risk is that jurisdictions that have not adopted the PIE definition in their ethical standards may not adopt the definition for differential requirements under IAASB standards. This could undermine the IAASB standards as a global baseline. The IAASB will monitor uptake of the PIE definition in national Codes of Ethics and intends to revisit the matter in the second half of 2026.
5. In December 2024, the IAASB decided to proceed with the other narrow scope amendments to the ISQMs and ISAs proposed for PIE Track 2 (not part of the Consultation Paper) by:
 - **Replacing “listed entity” with “Publicly Traded Entity” (PTE)** as defined in the IESBA Code for the purposes of applying differential requirements in the ISQMs and ISAs.
 - **Amending the objective and purpose for differential requirements**, including when it may be appropriate to apply a differential requirement to entities other than PTEs.

Matters for Consideration

6. The Consultation Paper is for a 45-day consultation period closing 27 March 2025.
7. Subject to seeing the expected ITC, options for the AUASB (including pros and cons), are:

¹ *The IAASB’s Proposed Narrow Scope Amendments to International Standards on Quality Management; International Standards on Auditing; and International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*

AUASB Agenda Paper

No.	Option	Pros	Cons
1	Amend AUASB standards to expand differential requirements from listed entities to PIEs as proposed in the IAASB PIE Track 2 ED.	<ul style="list-style-type: none"> Unlike other jurisdictions, the APESB has adopted the definition of PIE in APES 110. 	<ul style="list-style-type: none"> Consistent with stakeholder feedback, the AUASB's submission on the ED raised concerns with extending the requirements for KAMs and EQRs. Pre-empts IAASB decision.
2	Provide a short response to the ITC stating support for the IAASB's proposed deferral of a decision.	<ul style="list-style-type: none"> Consistent with AUASB submission on ED. Does not pre-empt IAASB decision. Supports IAASB standards as a global baseline. 	<ul style="list-style-type: none"> Provides IAASB with support for their approach.
3	Provide a response to the ITC disagreeing with the IAASB's proposed deferral.	<ul style="list-style-type: none"> The PIE definition has been adopted in APES 110. 	<ul style="list-style-type: none"> There is no apparent basis to oppose deferral given the PIE definition is still to be adopted in ethical requirements in many jurisdictions. Adopting the PIE definition and differential requirements could undermine IAASB standards as a global baseline.
4	Expose the ITC in Australia to inform a decision on a submission.	<ul style="list-style-type: none"> The IAASB considered an ITC necessary given the change in approach. Consistent with AUASB practice to expose IAASB consultation documents in Australia. 	<ul style="list-style-type: none"> Stakeholders may feel obliged to expend effort in making a submission when there is likely to be support internationally for the IAASB's proposed deferral (given many jurisdictions have not adopted the PIE definitions in their local ethical requirements).
5	Not make a submission on the ITC.	<ul style="list-style-type: none"> A small saving in Office of the AUASB resources. 	<ul style="list-style-type: none"> The AUASB would normally make submissions on IAASB consultation documents.

8. Having regard to the pros and cons of the above options, it is recommended:
- To make a brief submission to the IAASB supporting the deferral of a decision on whether to adopt the PIE definition for differential requirements in IAASB standards; and
 - the submission will be approved and signed by the Chair.
9. The NZAuASB will consider its approach to the expected ITC on 12 February 2025. AUASB members will be updated verbally on the NZAuASB's decision at the AUASB meeting on 19 February 2025.

Materials presented

Agenda paper	Description
7.1	IAASB's Post-Exposure Consultation – Track 2 of the Listed Entity and PIE Project

Post-Exposure Consultation

Prepared by the Staff of the International Auditing
and Assurance Standards Board® (IAASB)

Track 2 of the Listed Entity and PIE Project

Invitation to Comment Before
the IAASB Finalizes the
Narrow Scope Amendments
to the ISQMs and ISAs as a
Result of the Revisions to the
Definitions of Listed Entity
and Public Interest Entity in
the IESBA Code

FEBRUARY 2025

COMMENTS DUE: MARCH 27, 2025



IAASB™

International Auditing and Assurance Standards Board

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About the IAASB

This document has been prepared and approved by the International Auditing and Assurance Standards Board. It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Assurance Engagements or other of the IAASB's International Standards

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

Purpose of This Post-Exposure Consultation

The consultation period for the Exposure Draft (ED) of the IAASB PIE Track 2 project,¹ [Proposed Narrow Scope Amendments to the ISQMs, ISAs, and ISRE 2400 \(Revised\)](#),² as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity (PIE) in the IESBA Code, closed in April 2024 (ED-PIE Track 2). The IAASB considered the analysis and summary of the comment letters received, as well as input from additional outreach, coordination and information-gathering activities at its September 2024 (see [Agenda Item 7](#)) and December 2024 (see [Agenda Item 3](#)) meetings. At these meetings, the Board deliberated on the feedback received, issues identified and the views and recommendations of the PIE Task Force.

The Board unanimously confirmed on December 12, 2024, their agreement with the content of the narrow scope amendments for the PIE Track 2 project, subject to the final consultation process as set out in this Post-Exposure Consultation (herein referred to as the “pre-final narrow scope amendments to the ISQMs and ISAs”) (see Invitation to Comment on page 8-9, and relevant background and information about the IAASB’s considerations and rationale in concluding on these pre-final narrow scope amendments on pages 10-25).

The pre-final narrow scope amendments to the ISQMs and ISAs are set out in Appendix 1 (pages 26-80) and Tables 1 and 2 below provide an overview of the amendments.

The Board agreed to undertake an additional consultation process to ensure that the IAASB is as clear and transparent as possible with its stakeholders about the Board’s final position, rationale, and pathway to broader differential requirements, which is set out in this Post-Exposure Consultation. Subject to observations from stakeholders that are relevant to the IAASB in finalizing the narrow scope amendments to the ISQMs and ISAs, the Board is satisfied that the content in **Appendix 1** represents its final position and intends to vote on the approval of these narrow scope amendments at its June 2025 meeting.

The Board’s final position is different from the position that was presented in ED-PIE Track 2 as is evident from the overview in the Table 1 below. Although the Board remains committed to the key elements of its original proposals that were presented in ED-PIE Track 2 (the IAASB PIE proposals), the change in position was necessitated by the identification of an issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions.³ This divergence was highlighted by a discussion at the March 2024 IESBA meeting (see [Agenda Item 8](#)) to reaffirm IESBA’s view through clarifying which entities a firm should treat as PIEs for purposes of the firm complying with the IESBA Code (the IESBA clarification).⁴ See **Section III** for a discussion of the divergence issue.

¹ The IAASB’s narrow scope maintenance of standards project on listed entity and public interest entity (PIE) addresses various actions for the IAASB’s standards in respect of recent revisions to the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) as a result of [IESBA’s project on the definitions of listed entity and PIE](#). Track 1 of the IAASB project was completed in June 2023. Track 2 focuses on amending the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of listed entity and PIE in the IESBA Code (see [IAASB project page](#)).

² International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statement*

³ See the [Final Pronouncement: Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#)

⁴ At the March 2024 IESBA meeting, the IESBA Staff presented its proposals to add a question in the [IESBA Staff Questions & Answers – Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code \(IESBA PIE Q&A\)](#) to clarify the

The March 2024 IESBA discussion occurred shortly before the close of the comment period for ED-PIE Track 2 on April 8, 2024. Although some respondents specifically highlighted the issue of divergence in their comment letters to the IAASB, the Board also recognizes that not all stakeholders may have been aware of that discussion or have fully appreciated the implications of the divergence between the IAASB PIE proposals and the IESBA PIE revisions read together with the IESBA clarification.

This Post-Exposure Consultation provides stakeholders the opportunity to familiarize themselves with the identified divergence issue and how this has informed the Board in advancing the IAASB PIE proposals, including the Board's rationale in arriving at its final position.

Table 1: Overview of the IAASB's final position compared with the elements of the proposals in ED-PIE Track 2

Key elements of the IAASB PIE Proposals in ED-PIE Track 2	The Board's final position as confirmed in December 2024 (differences compared to ED-PIE Track 2 is in BOLD text)	Paragraphs in the pre-final narrow scope amendments in Appendix 1
<i>Sections I-II of this document provide relevant context</i>	<i>Sections III-IV of this document provide relevant context</i>	
<p>Establish an overarching objective and purpose for differential requirements in the ISQMs and ISAs. This applies to PIEs (which include 'publicly traded entities' (PTEs))</p> <p>Also include a framework for when it may be appropriate to apply such requirements to other entities. This applies to entities other than PIEs.</p>	<p>Incorporated the overarching objective and purpose in the Introduction sections of ISQM 1 (for the ISQMs) and ISA 200 (for the ISAs). This applies to PTEs only (see below, the PIE definition has not been adopted).</p> <p>In addition, the framework is addressed in application material to the above Introduction paragraphs. This applies to entities other than PTEs.</p>	<p>ISQM 1,⁵ paragraphs 5A, 5B, A2A-A2E</p> <p>ISA 200,⁶ paragraphs 2A, 2B, A13A-A13E</p>
<p>Adopt of a definition of Public Interest Entity (PIE) that provides a global baseline that could be</p>	<p>The definition of PIE has not been adopted for the ISQMs and ISAs.</p>	<p>n/a</p>

IESBA's position that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. In September 2024, IESBA Staff released an update to its [IESBA PIE Q&A](#). This update includes a new question and answer (Q16) to address the scenario where a jurisdiction has no PIE definition or excluded one or more of the mandatory categories in the IESBA PIE definition.

⁵ ISQM 1, *Quality Management for Firms That Perform Audits or Review of Financial Statements, or Other Assurance or Related Services Engagements*

⁶ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

Key elements of the IAASB PIE Proposals in ED-PIE Track 2	The Board’s final position as confirmed in December 2024 (differences compared to ED-PIE Track 2 is in BOLD text)	Paragraphs in the pre-final narrow scope amendments in Appendix 1
Sections I-II of this document provide relevant context	Sections III-IV of this document provide relevant context	
consistently applied across jurisdictions, including mandatory categories of PIEs.		
Adoption of a separate definition of Publicly Traded Entity (PTE) as a replacement for “listed entity” in the ISQMs and ISAs.	Adopted the definition of PTE for the ISQMs and ISAs, which is fully aligned with the definition in the IESBA Code.	ISQM 1, paragraph 16(p)A ISA 200, paragraph 13(I)A
Recognize the role of local bodies in defining more explicitly the categories of entities in the PIE definition for a specific jurisdiction.	Recognizes the role of local bodies, but only in relation to defining more explicitly PTE for a specific jurisdiction. See essential application material to the definition of PTE.	ISQM 1, paragraph 16(p)A ISA 200, paragraph 13(I)A
Application of the mandatory PIE categories – although local refinement is accommodated, it does not alter the mandatory nature of the PIE categories of the IAASB definition.	Adopted, but only in relation to PTE – although local refinement is accommodated, it does not alter the baseline PTE definition and its application.	Not specifically adjusted for in the narrow scope amendments; rather it is implicit in complying with the requirements of the ISQMs and ISAs as contemplated in ISQM 1, paragraphs 17-18, and ISA 200, paragraphs 18-20, 22.
Consider expanding the application of extant differential requirements on a case-by-case basis and application of a balanced approach to introducing additional differential requirements in the ISQMs and ISAs.	The PIE definition has not been adopted for the ISQMs and ISAs. Therefore, the extant differential requirements applicable to the audits of listed entities have been amended to apply to PTEs.	See Table 2 below. In addition, all other references to listed entities in the ISQMs and ISAs have been replaced with PTEs.
<i>The IAASB remains committed to the key elements of its original proposals that were presented in ED-PIE Track 2 and, therefore, has agreed to revisit at a future date the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs when the global adoption and implementation of the IESBA definition has sufficiently matured. See Section V of this document for next steps.</i>		

Table 2: List of differential requirements applicable to the audits of listed entities that have been amended to apply to PTEs

Differential requirement	Paragraphs in the pre-final narrow scope amendments in Appendix 1
Engagements Subject to an Engagement Quality Review	ISQM 1, paragraphs 34(f), A133 – A137
Communication with Those Charged With Governance (TCWG) About the System of Quality Management	ISQM 1, paragraphs 34(e), A127 – A132
Communication with TCWG About Auditor Independence	ISA 260 (Revised), ⁷ paragraphs 18, 18A, A29 – A32; ISA 700 (Revised), ⁸ paragraph 40(b)
Communicating Key Audit Matters	ISA 700 (Revised), paragraphs 30–31, 40(c), A41 –A44; ISA 701, ⁹ paragraph 5
Name of the Engagement Partner in the Auditor's Report	ISA 700 (Revised), paragraphs 46, 50(l), A62–A64
Transparency About Other Information	ISA 720 (Revised), ¹⁰ paragraphs 21-22(b), A12, A51
Going Concern	ISA 570 (Revised 2024), ¹¹ paragraphs 34(b), 35(b), A82, A89 and A101

The Remainder of this Post-Exposure Consultation is Set Out as Follows:

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⁷ ISA 260 (Revised), *Communication with Those Charged with Governance*

⁸ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁹ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁰ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

¹¹ ISA 570 (Revised 2024), *Going Concern*

Invitation to Comment (ITC) to IAASB Stakeholders

Stakeholders are invited to provide comments on the two matters set out in the blue highlighted text boxes below, **by March 27, 2025**.

Sections I and II provide background and an overview of the IESBA Listed Entity and PIE project which prompted and informed the IAASB project, the IAASB PIE proposals as included in ED-PIE Track 2, respondents to ED-PIE Track 2 and additional outreach, coordination and information-gathering activities undertaken. **Sections III and IV** set out the issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions, and the IAASB's considerations and rationale in finalizing the PIE Track 2 narrow scope amendments to the ISQMs and ISAs.

As indicated, the pre-final narrow scope amendments to the ISQMs and ISAs in **Appendix 1** represent the Board's final position in completing these narrow scope amendments, subject to this Post-Exposure Consultation. Although the IAASB does not expect significant new information or views on the narrow scope amendments or the Board's position and rationale in this regard, it wishes to ensure that stakeholders are fully aware of the Board's position, rationale and pathway to broader differential requirements.

1. You are invited to share any observations that you believe might be relevant to the IAASB prior to finalizing the narrow scope amendments to the ISQMs and ISAs.

Please note:

- *This ITC does not extend to and is not inviting comment on the IESBA PIE revisions read together with the IESBA clarification. IESBA's Listed Entity and PIE project is complete.*
- *If you submitted a comment letter to ED-PIE Track 2 in April 2024, the IAASB has fully considered those responses during its deliberations in September and December 2024; therefore, it is not necessary to repeat comments previously provided. You may believe that a specific matter remains relevant to share as an observation here, in which case the request is that you please clearly relate such matter to the IAASB's decisions and rationale in this Post-Exposure Consultation. (See **Section IV**, paragraphs 23-32.)*

Section V sets out the IAASB's next steps, including the planned effective date for the narrow scope amendments to the ISQMs and ISAs to be aligned with the effective dates of the IAASB's standards from the Going Concern¹² and Fraud projects.¹³ The section also outlines the Board's commitment and proposed timing for revisiting the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs (the plan is for IAASB staff to report back and request the Board for direction in this regard in the second half of 2026).

¹² See the [project page](#) for the Going Concern project. ISA 570 (Revised 2024), *Going Concern* was approved at the December 2024 IAASB meeting and will be released subject to PIOB certification, which is targeted for April 2025.

¹³ See the [project page](#) for the Fraud project. Proposed ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, is targeted for approval at the March 2025 IAASB meeting.

2. Specific questions on forward-looking matters:

- (a) Do you agree with the proposed effective date of the narrow scope amendments, i.e., for audits of financial statements for periods beginning on or after December 15, 2026, to be aligned with the standards from the Going Concern and Fraud projects? (See **Section V**, paragraphs 35-37.)
- (b) Do you agree with the IAASB's commitment to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs? (See **Section IV**, paragraph 31 and **Section V**, paragraph 38.)

Please note: When the decision is revisited, the IAASB will develop an exposure draft for public consultation. Therefore, you do not now need to provide comments or to repeat comments previously provided regarding the extant differential requirements in the ISQMs and ISAs.

- (c) Do you agree with the proposed timing for revisiting the matters highlighted in (b) above? (See **Section V**, paragraphs 39-41.)

Request to Use Response Template

We encourage all respondents to submit their comments electronically using the [Response Template](#) provided. The response template has been developed to facilitate responses to the questions as listed above. Use of the template will facilitate our collation and analysis of the responses.

Recognizing that the IAASB utilizes software to support our analysis of comments received from respondents to public consultations, you can assist our review of the responses by bearing the following in mind in preparing your submission:

- Respond directly to the questions in the template and **provide the rationale for your answers. If you disagree with the proposals as explained in this paper, please provide specific reasons for your disagreement. If you agree with the proposals, it will be helpful for the IAASB to be made aware of this view.**
- You may respond to all questions or only those questions for which you have specific comments.
- Avoid inserting tables or text boxes in the template when providing your responses to the questions.

The completed response template can be uploaded using the "Submit Comment" [link](#) on the IAASB website: www.iaasb.org. When submitting your completed response template, it is not necessary to include a covering letter with a summary of your key issues. The response template provides the opportunity to provide details about your organization and, should you choose to do so, any overall views you wish to place on the public record. All responses will be considered a matter of public record and will ultimately be posted on the IAASB website.

I. Background

1. In December 2023, the Board approved the ED-PIE Track 2 for public comments. The ED-PIE Track 2 sought respondents' feedback to address the project objectives outlined in paragraph 17(a)-(c) of the [project proposal](#) to:
 - (a) Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the IESBA PIE revisions and the ISQMs and ISAs to maintain their interoperability.
 - (b) Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.
 - (c) Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

Overview of Respondents to ED-PIE Track 2

2. The ED-PIE Track 2 was exposed for a 90-day public comment period that closed on April 8, 2024. Forty-six written responses were received as follows:

Stakeholder Type	No.	Region	No.
Monitoring Group	2	Global	13
Regulators and Audit Oversight Authorities	5	Asia Pacific	10
Jurisdictional and National Auditing Standard Setters	13	Europe	10
Accounting Firms	9	Middle East and Africa	4
Member Bodies and Other Professional Organizations	16	North America	7
Individuals and Others	1	South America	2
Total	46	Total	46

3. While comment letters included responses provided by a diverse representation of stakeholder constituencies and geographical regions, no written responses were received from investors or users of financial statements. The PIE Task Force noted that, considering the nature of the extant differential requirements in the ISQMs and ISAs, matters affecting the auditor's report would be of most interest to this stakeholder constituency. Therefore, when forming views and recommendations, the PIE Task Force leveraged the feedback received from investors and other users of financial statements on relevant topics addressed in the IAASB's Auditor Reporting post-implementation review¹⁴.

¹⁴ The [Auditor Reporting post-implementation review](#) was concluded in September 2021. An analysis of the results from the post-implementation review survey was discussed at the February 2021 IAASB mid-quarter meeting – see [Agenda Item 3](#).

General Outreach Program

4. The ED-PIE Track 2 and the issues relevant to Track 2 of the PIE project continued to be highlighted in regular outreach with key stakeholders as part of the IAASB's general outreach program that includes updates to Monitoring Group (MG) members and other regulators and audit oversight authorities. The PIE Task Force also had the opportunity to engage with various other stakeholders throughout the life cycle of this project, including MG members, the Forum of Firms, and Jurisdictional / National Standard Setters.

Coordination with IESBA

5. There has been extensive interaction between the IAASB and the IESBA on the topic of listed entity and PIE throughout the course of the IAASB project (and during the IESBA project, including participation of two IAASB correspondent members in the IESBA PIE Task Force). This has been accomplished through staff-to-staff coordination, discussions involving the Chairs of the respective Boards' task forces or working groups and participation of an IESBA correspondent member in the IAASB PIE Task Force.

II. The IESBA Listed Entity and PIE Project and the IAASB PIE Proposals

The IESBA Project on the Definitions of Listed Entity and Public Interest Entity

6. In December 2021, the IESBA concluded its project on the Definitions of Listed Entity and Public Interest Entity, which included revisions to Part 4A of the IESBA Code and its glossary relating to listed entity and PIE.
7. In approving the revisions to the definitions of listed entity and PIE, the IESBA had relied on an overall framework that includes the following key elements (reference in this Post-Exposure Consultation to paragraphs in the IESBA Code is to IESBA's [Final Pronouncement, Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#)):
 - (a) An overarching objective that explains the need for additional independence requirements for entities that are defined as PIEs (paragraph 400.10);
 - (b) A top-down list of mandatory high-level PIE categories subject to local refinement (paragraph R400.17 (a)-(c));
 - (c) A bottom-up list of PIE categories that could be added by the relevant local bodies to the local PIE definitions (paragraph R400.17 (d)); and
 - (d) An encouragement for firms to determine whether to treat additional entities as PIEs (paragraph 400.19 A1).
8. In addition, the IESBA PIE revisions include a requirement for firms to take into account more explicit definitions of PIEs established by law, regulation or professional standards in determining which entities to treat as PIEs (paragraph R400.18). Application material further explains the interrelationship of the PIE definition in the IESBA Code with definitions established by relevant local bodies responsible for setting ethics standards for professional accountants, which includes an explanation that the IESBA Code:
 - (a) Provides for relevant local bodies to more explicitly define the mandatory categories of PIEs, with examples of how these categories may be more explicitly defined at the local level (paragraph 400.18 A1); and
 - (b) Anticipates that such local bodies will add categories of PIEs, with examples of such categories (e.g., pension funds and collective investment vehicles) (paragraph 400.18 A2).

Further Clarification of the Role of Relevant Local Bodies and Firms

9. During their March 2024 Board discussion, IESBA reaffirmed that the responsible local bodies are best placed to decide which entities or classes of entities should be scoped in as PIEs given their local knowledge and understanding of the broader issues that impact public expectations. The IESBA also reiterated the role of firms when finalizing the firms' responsibilities under the revised provisions. The IESBA clarified that whilst firms have an important role in ensuring public expectations regarding their independence are met, the responsibility for determining which entities or classes of entities should be categorized as PIEs rests with legislators or other relevant local bodies.
10. In light of the provisions set out in the IESBA PIE revisions, in particular paragraphs R400.17 and R400.18 to 400.19 A1, as well as the considerations and rationale of the IESBA highlighted in the

IESBA Basis for Conclusions,¹⁵ IESBA clarified that, for this specific project, compliance with the IESBA Code by firms means first and foremost compliance with local laws and regulations, whatever they may be at the time of the audit report. This conclusion is aligned with the overarching objective in paragraph 400.10 of the IESBA PIE revisions and the IESBA's consistent view that local bodies are best placed to ascertain the significance of the public interest in the financial condition of entities to determine whether these entities should be PIEs, as that significance is relevant from a local (rather than international) perspective.

11. In addition, given that the categories as included in the IESBA PIE revisions are broadly defined, and no recognition is given to any size or other factors that can be relevant in a specific jurisdiction, these categories require further refinement by local legislators or other relevant local bodies in order to be operationalized by firms. Requiring firms to treat all entities as PIEs when the categories have not been refined by local jurisdictions may lead to unintended consequences, such as firms being required to treat many entities with no significant public interest in their financial condition as PIEs.
12. In September 2024, following coordination between IESBA and IAASB Staff, and the chairs of the IESBA PIE Rollout Working Group and the IAASB PIE Task Force IESBA released an update to its IESBA PIE Q&A, initially released in March 2023. This update includes a new question and answer (Q16) that clarifies the IESBA's position that firms should always comply with the local definition of PIE in their respective jurisdictions at the time of the audit report, regardless of whether such local definition addresses all of the mandatory PIE categories in the IESBA PIE revisions.

Key Elements of the IAASB PIE Proposals

13. The IAASB reaffirmed its commitment to and understanding of the key elements of its PIE proposals in ED-PIE Track 2, which is summarized in paragraphs 14-19 below.
14. **Overarching objective and purpose.** Adopting an overarching objective and purpose for establishing differential requirements in the ISQMs and ISAs, including a framework for when it may be appropriate to apply such requirements to other entities. These concepts are aligned with the equivalent overarching objective, purpose and framework in the IESBA Code. The overarching objective and purpose recognize that stakeholders have heightened expectations regarding an audit engagement for certain entities where there is significant public interest in the financial condition of those entities.
15. **PIE definition.** Adopting a definition of PIE that provides a global baseline that could be consistently applied across jurisdictions, and that would result in convergence between the IAASB standards and the IESBA Code. The following aspects are relevant in this regard:
 - The IAASB has in the past explored as part of its standard-setting projects extending the applicability of its differential requirements for listed entities in the ISQMs and ISAs to apply more broadly to other entities that exhibit public interest or public accountability characteristics. However, previous public consultations, deliberations and discussions have resulted in decisions not to extend the applicability of differential requirements for audits of listed entities to apply more broadly to other entities, such as PIEs. This was mostly due to:
 - The lack of a global baseline for the definition of PIE that could be consistently applied across jurisdictions.

¹⁵ IESBA Basis for Conclusions, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#).

- The unintended consequences of the requirements applying to smaller entities that could be scoped into the definition of a PIE (e.g., due to regulations or legislation) and for which it may be impracticable or overly burdensome to apply the requirements in such cases.
- In developing ED-PIE Track 2, the IAASB believed that the following definition of PIE that was proposed for adoption in the ISQMs and ISAs, and which is aligned with the definition in the IESBA PIE revisions, addressed previous concerns raised by adopting mandatory baseline categories of PIE, that would foster global consistency. Consistent with the IESBA PIE revisions, the proposals in ED-PIE Track 2 also incorporated that the operationalization of the PIE definition is subject to the role of relevant local bodies to define more explicitly the mandatory categories in (i) to (iii) (paragraph 17 addresses the role of relevant local bodies).

Mandatory, high-level PIE categories:

- (i) A publicly traded entity;
- (ii) An entity one of whose main functions is to take deposits from the public;
- (iii) An entity one of whose main functions is to provide insurance to the public; or
- (iv) An entity specified as such by law, regulation or professional requirements related to the significance of the public interest in the financial condition of the entity.¹⁶

16. **PTE definition.** Adopting a separate definition of PTE as a replacement for “listed entity” in the ISQMs and ISAs and recognizing that PTE would be one of the mandatory categories within the PIE definition. The following aspects are relevant in this regard:

- In developing ED-PIE Track 2, the IAASB proposed to adopt the following definition of PTE, which is aligned with the definition in the IESBA PIE revisions. The IAASB believed that this definition was responsive to issues that had been identified with the listed entity definition for the IESBA and IAASB projects.

Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

- The defined term “publicly traded entity” encapsulates the term listed entity as defined by relevant securities law or regulation as an example (rather than a standalone definition). On this basis a listed entity as defined by relevant securities law or regulation in the jurisdiction will continue to meet the definition of a “publicly traded entity” provided the other criteria of the definition are met and subject to any refinements to this category by relevant local bodies (e.g., making reference to specific public markets for trading securities).

¹⁶ Some changes were applied to category (iv) in incorporating the IESBA PIE Revisions which were necessary given the differences in the drafting conventions among the respective Boards’ standards. For example, the term “professional standards” was replaced with “professional requirements” because unlike the IESBA Code, the term “professional standards” has a defined meaning for the purpose of the ISQMs and ISAs. In addition, the reference to the purpose described in paragraph 400.10 of the IESBA PIE Revisions was not cross-referenced given it forms part of the application material of the ISQM 1 and ISA 200. Instead, the phrase “*related to the significance of the public interest in the financial condition of the entity*” was added to the text of category (iv).

- The table below includes examples that have been sourced from the IESBA PIE ED and the Basis for Conclusions, [Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code](#). It illustrates how replacing the definition of “listed entity” with “publicly traded entity” would impact the scope of entities that may be subject to extant requirements in the ISQMs and ISAs that apply to listed entities.

<i>Impact on Entities</i>	<i>Description</i>	<i>Example</i>
<i>The change would result in the entity being scoped in</i>	Entities issuing and trading financial instruments other than shares, stock or debt as currently specified in the extant definition of “listed entity.”	▶ Entities issuing and trading other types of instruments such as warrants or hybrid securities.
	Entities trading financial instruments in less regulated markets.	▶ Entities trading on second-tier markets or over-the-counter trading platforms.
<i>The change would result in the entity being scoped out</i>	Entities whose financial instruments might be listed but are not intended to be traded or are not freely transferable.	▶ Groups where the relevant instruments are held entirely intra-group.
	Entities trading through a market mechanism that is not publicly accessible or when there is no facilitated trading platform such as an auction-based exchange or electronic exchange.	▶ Privately negotiated agreements (with or without the assistance of a broker).

- Role of relevant local bodies.** Acknowledging the role of those responsible for law, regulation or professional requirements in defining more explicitly the categories of entities provided for in the PIE definition (for example, by referring to specific public markets for trading securities, referring to law or regulation defining banks or insurance companies, making exemptions for specific types of entities, or setting size criteria). Relevant local bodies are best placed to assess and determine with greater precision which entities or types of entities should be treated as PIEs in a specific jurisdiction. While the IAASB anticipated and accepted jurisdictional variations as a result, it was expected that the overarching objective and high-level mandatory PIE categories will bring some level of global consistency to the types of entities that are treated as PIEs.
- Application of the mandatory PIE categories.** Although the IAASB PIE proposals accommodate that a relevant local body may define more explicitly one or more of the mandatory PIE categories of the PIE definition in a specific jurisdiction, it does not alter the mandatory nature of those categories. This means that in order to comply with the ISQMs and ISAs in instances where a relevant local body has defined more explicitly the three mandatory PIE categories, a firm or an auditor in that jurisdiction would identify PIEs based on their local (refined) PIE definition, which will be as contemplated by the

IAASB PIE proposals. However, if the local PIE definition has omitted one or more of the mandatory PIE categories or the jurisdiction does not have a local PIE definition, a firm or an auditor in that jurisdiction would identify PIEs based on the three mandatory categories in the PIE definition in order to comply with the ISQMs and ISAs (or, at least, in respect of those categories that have not been defined more explicitly or that have been omitted).

19. Nature and scope of differential requirements in the ISQMs and ISAs. The following aspects are relevant in this regard:

- Considering on a case-by-case basis whether the extant differential requirements in the ISQMs and ISAs which apply only to listed entities, should be revised to apply to PIEs. A case-by-case approach allows for the consideration of public interest factors in the context of the individual objectives of the standards where differential requirements exist (or may be contemplated). In addition, the proposed definition of PIE, including the application of the mandatory PIE categories, would provide for a global baseline for the consistent application of differential requirements across jurisdictions.
- Confirming that the IAASB has only introduced differential requirements in the ISQMs and ISAs relating to matters of applicability of engagement quality reviews, the auditor's communication with TCWG and enhanced transparency in the auditor's report (i.e., extant differential requirements do not relate to performance requirements in the ISAs that affect the auditor's planning, evidence gathering and evidence evaluation).
- Confirming the application of a balanced approach regarding the introduction of additional differential requirements taking into account the overarching objective and purpose for differential requirements (see paragraph 14 above) and avoiding creating complexity through introducing too many differential requirements in the ISQMs and ISAs.

III. Issue of Divergence Between the IAASB PIE Proposals and the IESBA PIE Revisions

20. The PIE Task Force identified a significant theme raised by eight respondents to ED-PIE Track 2 that highlighted a risk of divergence between the IAASB PIE proposals and the IESBA PIE revisions (read together with the IESBA clarification) regarding the definition of PIE and its application in determining which entities to treat as PIEs. These respondents framed their comments about the PIE definition and its application with reference to IESBA's discussion in this regard at the March 2024 IESBA meeting (see also paragraphs 9-12 in **Section II**). They noted that such divergence brings into question the convergence objective of the IAASB's Listed Entity and PIE project and would not be in the public interest. Accordingly, these respondents believe that it would be inappropriate at this time for the IAASB to extend the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PIEs.
21. In addition, respondents noted that because the IAASB PIE proposals did not reflect the IESBA clarification, the divergence in the application of the IAASB standards is prominent in that firms appear to have significantly more responsibility under the IAASB proposals compared to the IESBA PIE revisions and that firms, in certain circumstances, will be required to treat certain entities as PIEs under the IAASB PIE proposals but not for purposes of the IESBA Code (see the scenarios in paragraph 22).

Different Outcomes

22. The following table summarizes the different outcomes a firm may reach when identifying PIEs based on the IESBA PIE revisions compared to the outcomes based on the IAASB PIE proposals. For the purpose of the illustration below, there is an assumption that the IAASB PIE proposals have the same effective date as the IESBA PIE revisions.

Status of adoption of the IESBA PIE revisions at the effective date	Identification of PIEs for the purpose of applying the incremental independence requirements of the IESBA Code	Identification of PIEs for the purpose of applying the differential requirements in the ISQMs and ISAs
<p>Scenario 1</p> <p>A relevant local body has adopted the international PIE revisions, with or without refinements of the three mandatory categories (i.e., in the case of the latter, the adoption process resulted in no refinements of the mandatory categories).</p>	<p>To comply with the IESBA Code, firms should identify PIEs based on their local PIE definition (which will be as contemplated by the IESBA PIE revisions).</p>	<p>To comply with the ISQMs and ISAs, firms should identify PIEs based on their local PIE definition (which will be as contemplated by the IAASB PIE proposals).</p>

Status of adoption of the IESBA PIE revisions at the effective date	Identification of PIEs for the purpose of applying the incremental independence requirements of the IESBA Code	Identification of PIEs for the purpose of applying the differential requirements in the ISQMs and ISAs
<p>Scenario 2</p> <p>A relevant local body is in the process of adopting the international PIE revisions, with or without refinements of the three mandatory categories (once the adoption process is completed, the situation will be as described in scenario 1).</p>	<p>To comply with the IESBA Code, firms identify PIEs based on the extant local PIE definition.</p>	<p>To comply with the ISQMs and ISAs, firms should identify PIEs based on the three mandatory categories included in ISQM 1 and ISA 200.</p> <p>Firms may follow their local equivalent standards for ISQM 1 and ISA 200 and apply their extant local PIE definition (but will not be in compliance with the ISQMs or the ISAs).</p>
<p>Scenario 3</p> <p>A relevant local body will not adopt the international PIE revisions or has excluded one or more of the three mandatory categories.</p>	<p>Firms identify PIEs based on their extant local PIE definition, if it exists. In such a non-adopting or partial-adopting jurisdiction, firms are deemed to be in compliance with the IESBA Code because they must comply with the local PIE definition, and the Code does not require the firms to apply the broad categories directly without having regard to more explicit definitions at the national level.</p> <p>In a non-adopting jurisdiction, where no local PIE definition exists, the Code does not require firms to treat entities as PIEs. However, firms are not precluded from doing so pursuant to the encouragement and guidance in the Code.</p>	<p>To comply with the ISQMs and ISAs, firms should identify PIEs based on the three mandatory categories included in ISQM 1 and ISA 200.</p> <p>Firms may follow their local equivalent standards for ISQM 1 and ISA 200 and apply their extant local PIE definition (but will not be in compliance with the ISQMs or the ISAs).</p>

IV. Responding to Feedback Received and the IAASB's Decisions and Rationale

23. When analyzing the feedback received and proposing a way forward, the PIE Task Force considered the comments received from the eight respondents who specifically addressed the risk of divergence between the IAASB PIE proposals and the IESBA PIE revisions. The PIE Task Force also recognized that overall many respondents supported the IAASB PIE proposals, highlighting the benefits of convergence with the IESBA PIE revisions. However, given the timing of the IESBA clarification and the closing date of ED-PIE Track 2, the PIE Task Force questioned if all respondents were aware of the IESBA clarification and how it may have impacted their comments had they been aware. However, as the significance of the divergence between the IAASB proposals and the IESBA PIE revisions had already been established, the PIE Task Force responded to the feedback from all respondents to Questions 1 and 2 to ED-PIE Track 2¹⁷ and took into account further coordination with IESBA. The Board deliberated the proposals of PIE Task Force at the September 2024 (see [Agenda Item 7](#)) and December 2024 (see [Agenda Item 3](#)) IAASB meetings.

Original IAASB PIE Proposals (the ED Path)

24. Based on the issue of divergence between the IAASB PIE proposals and the IESBA PIE revisions, the Board decided that it was not appropriate to continue to advance the proposals as originally contemplated in ED-PIE Track 2. This is because:
- The application of the IAASB PIE proposals, which were designed to be based on the IESBA PIE revisions, would go beyond the independence standards of the IESBA Code.
 - While both Boards' standards would contain the same definition of PIE, the application of the IAASB PIE proposals could lead to a different outcome compared to the IESBA PIE revisions read together with the IESBA clarification (i.e., the same entity may be treated differently for audit and ethics purposes).
 - Taking action in the ISQMs and ISAs that would facilitate the same outcome as the IESBA PIE revisions would raise the same concern that had in the past prevented the IAASB from extending differential requirements in the ISQMs and ISAs to apply to entities other than listed entities, i.e., lack of a global baseline for PIEs that could be consistently applied across jurisdictions (see also paragraphs 25 below).

Facilitating the Same Outcome as the IESBA PIE Revisions in the ISQMs and ISAs (the Conditional Path)

25. Notwithstanding the concern in paragraph 24(c) above, the Board considered how the IAASB PIE proposals may be advanced so that the definitions of PIE and PTE would be adopted and the extant differential requirements in the ISQMs and ISAs could be extended to apply to audits of PIEs only when local jurisdictions have adopted and/or further refined the broad categories included in the PIE definition. The aim was to align with the IESBA PIE revisions (read together with the IESBA clarification) regarding the application of the PIE definition by incorporating that intent and outcome directly in the ISQMs and ISAs.

¹⁷ Questions 1 and 2 sought stakeholders' views on the proposals to adopt an overarching objective and purpose for establishing differential requirements in the ISQMs and ISAs and adopting the definitions of PIE and PTE in ISQM 1 and ISA 200.

26. The following overarching standard-setting actions would be required:
- Adopt the definitions of PIE and PTE, as defined in the IESBA Code, with PTE being a replacement for 'listed entity'.
 - Adopting the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework to determine when it may be appropriate to apply a differential requirement to entities other than PIEs.
 - Introducing a conditional requirement in terms of which certain categories in the PIE definition will be applicable only to the extent that relevant local bodies in jurisdictions have (i) further refined those categories; or (ii) determined that they are appropriate as is (i.e., includes all entities as broadly described for a category).
 - If a jurisdiction has neither refined the categories nor determined that the broad categories are appropriate as is, firms are not required, but may choose to apply the differential requirements to entities other than PIEs, using the framework to determine such entities. In essence, firms would only be required to follow their local PIE definition (if one exists), regardless of whether such local definition addresses all of the mandatory PIE categories in the IAASB PIE definition.
 - Extending the applicability of the extant differential requirements applicable to listed entities in the ISQMs and ISAs to PIEs, subject to the relevant feedback received in this regard on ED-PIE Track 2. The application of any differential requirement to audits of PIEs, will be conditional on the application of the PIE definition in a specific jurisdiction as explained in the preceding two bullets.
27. The Board decided that the above was not a viable path for the IAASB, because it would effectively embed into the ISQMs and ISAs a model that creates a precedent risk for the IAASB in terms of how it develops and drafts standards, especially with respect to the engagement requirements in the ISAs. Such risk may manifest as follows:
- (a) Differential requirements in the ISQMs and ISAs would be subject to jurisdictional interpretation and variation across multiple classes of entities that are otherwise intended to be part of 'mandatory' categories within the PIE definition, including that certain classes of entities could be excluded in a specific jurisdiction.
 - (b) Reflecting more broadly, the overarching requirements in ISA 200 relating to representing compliance with the ISAs, including that the auditor shall comply with each requirement of an ISA,¹⁸ has necessitated a standards-design whereby the requirements in the ISAs are not contingent upon local adoption (i.e., they do not provide for jurisdictional variation in terms of which requirements apply to 'an ISA audit'). Therefore, there is a risk that this path could create precedent whereby any specific performance requirement could in the future be requested to be conditional until such time that a jurisdiction 'is ready' for the requirement. This would reduce comparability and usability of information for users of audited financial statements.

Pathway to Finalizing the Narrow Scope Amendments to the ISQMs and ISAs (the PTE path)

28. Based on the considerations and rationale discussed in paragraphs 24 (the ED path) and 25-27 (the Conditional path), the IAASB decided to finalize the narrow scope amendments to the ISQMs and ISAs by taking the following overarching standard-setting actions (the PTE path):

¹⁸ ISA 200, paragraphs 18-20, 22

- Adopting the definition of PTE, as defined in the IESBA Code, as a replacement term for “listed entity/entities” in the ISQMs and ISAs.
 - Adopting the overarching objective and purpose for differential requirements in the ISQMs and ISAs, including the framework to determine when it may be appropriate to apply a differential requirement to entities other than PTEs.
 - Amending the applicability of the extant differential requirements in the ISQMs and ISAs that apply to listed entities, to apply to PTEs.
29. Undertaking the PTE path means that for the time being the IAASB will not adopt the PIE definition in the IESBA Code for the ISQMs and ISAs. Also, the extant differential requirements in the ISQMs and ISAs that apply to listed entities (or that will apply to PTEs going forward) will not be extended to apply to PIEs. In practice, for a firm that applies both the IAASB standards and the IESBA Code, the firm will determine PIEs for which it will be required to comply with the incremental independence requirements relating to PIEs in the IESBA Code. However, since the IAASB standards will not have a PIE definition, the firm or auditor would not necessarily be required to apply the differential requirements in the ISQMs and ISAs to the audits of those same entities. For example, assuming that a jurisdiction has adopted both the IESBA Code and the ISAs, the fact that an insurance company in that jurisdiction is determined to be a PIE for purposes of the relevant ethical requirements, including those related to independence, will not affect the application of the requirements in the ISAs (e.g., to communicate key matters in the auditor’s report for audits of PTEs), other than for those entities who are PTEs under the ISAs. However, the IAASB notes that:
- This is a pre-existing difference between the two Boards’ standards, which have not caused issues with respect to the interoperability between the IAASB standards and the IESBA Code. In addition, in line with prevailing practice, a jurisdiction can always decide to ‘add on’ to the IAASB requirements.
 - Under the PTE path, the IAASB has still incorporated an overarching objective and purpose for differential requirements in the ISQMs and ISAs, including a framework to determine when it may be appropriate to apply a differential requirement to entities other than PTEs. This provides firms with robust guidance (significantly enhanced from the extant ISQMs and ISAs) for determining entities other than PTEs where stakeholders have heightened expectations regarding the audit engagement and, therefore, to apply one or more requirements set out in the ISQMs and ISAs for audits of financial statements of PTEs to the audits of such other entities. This guidance includes a consideration of whether an entity is treated as a PIE for purposes of relevant ethical requirements, including those related to independence.
30. On balance, the IAASB was of the view that the matters highlighted in paragraphs 24 (relating to the ED path) and 27 (relating to the Conditional path) are not in the public interest from the perspective of the following qualitative standard-setting characteristics of the Public Interest Framework (PIF)¹⁹:
- *Coherence* with the overall body of standards – Given the Board’s pervasive concerns around the ED path and conditional path, the PTE path better ensures a coherent body of ISQMs and ISAs, while maintaining interoperability with the IESBA Code.

¹⁹ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#) (pages 22–23 of the PIF’s section on “What qualitative characteristics should the standards exhibit?”).

- Appropriate *scope* – The variations in the outcome of the application of the PIE definition between the IAASB standards (under the ED path) and the IESBA PIE revisions, as well as the potential jurisdictional variations under the Conditional path, adversely affect understandability and consistency across jurisdictions. The PTE path provides greater clarity about the scope and applicability of differential requirements in the ISQMs and ISAs.
 - *Relevance* – Adoption of the definition of PTE is responsive to issues that had been identified with the listed entity definition and is a positive step forward from extant. Although adoption of the PIE definition would have further enhanced this step, the pervasive concerns of the Board relating to introducing model inherent in the Conditional path could not be overcome.
 - *Comprehensiveness, clarity and conciseness* – the PTE path facilitates better understandability of the IAASB’s proposals and limits the extent to which there are jurisdictional exceptions and variations in the application of the definition of PTE and the differential requirements in the ISQMs and ISAs.
 - *Implementability and ability of being consistently applied and globally operable* – Similar matters to those already discussed apply to this characteristic. In addition, the Conditional path would introduce a model that departs from the IAASB’s standards-design relating to representing compliance with the ISAs, including complying with each requirement of an ISA.
31. The IAASB agreed to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs, when the global adoption and implementation of such definition has sufficiently matured (i.e., when more jurisdictions have adopted, appropriately refined for jurisdictional circumstances and implemented the IESBA PIE definition locally, and the nature, extent and implications of variations are clearer) (see next steps in **Section V**).
32. The Board also considered that the PTE path provides a feasible solution at this time to finalize the narrow scope amendments for the PIE Track 2 in accordance with the project objectives outlined in paragraph 17(a)-(c) of the [project proposal](#):
- (a) Achieve to the greatest extent possible convergence between the definitions and key concepts underlying the definitions used in the revisions to the IESBA Code and the ISQMs and ISAs to maintain their interoperability.

Observations relating to the PTE path

- Convergence has been achieved in relation to the definition of PTE.
- Staying with “listed entity” would have increased concerns about divergence. As already mentioned, the adoption of the PTE definition is responsive to issues that had been identified with the listed entity definition for the IESBA and IAASB projects.
- The interoperability of the two Boards’ standards has not been compromised since there is no conflict between the ISQMs and ISAs and the IESBA Code. As discussed in paragraph 29, the IAASB not having a PIE definition is a pre-existing difference between the two Boards’ standards. The PTE path also does not inhibit the application of the IESBA PIE revisions for purposes of the independence standards of the IESBA Code and a jurisdiction can always decide to ‘add on’ to the IAASB requirements.
- The IAASB has adopted the overarching objective and purpose for establishing differential requirements for certain entities (see also objective (b) below).

- (b) Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.

Observations relating to the PTE path

- The overarching objective and purpose for differential requirements in the ISQMs and ISAs are fully aligned with the equivalent objective and purpose for differential requirements for auditor independence in the IESBA Code.
- (c) Determine whether, and the extent to which, to amend the applicability of the existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for certain entities, thereby enhancing confidence in audit engagements performed for those entities.

Observations relating to the PTE path

- The extent to which the extant differential requirements in the ISQMs and ISAs can apply to entities other than listed entities, is dictated by the fact that the definition of PTE has been adopted as a replacement for 'listed entity' (the PIE definition has not been adopted). Therefore, the extant differential requirements have been amended to apply to PTEs.
- Application material to the extant differential requirements has been updated to reflect that it may be appropriate to apply a requirement for an audit of financial statements of a PTE to an audit of another entity, guided by considerations of significant public interest in the financial condition of such entity.

V. Next Steps

Final Approval

33. In June 2025, the project team will present to the Board an analysis of respondents' feedback on the ITC on pages 8-9. In addition, the Board will be asked to approve the proposed narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised).
34. Subject to the Board's approval in June 2025, project staff, in coordination with the PIE Task Force Chair, will prepare relevant due process documentation for submission to the PIOB. The final pronouncement will be published in early July 2025 subject to and after the PIOB meeting where certification of the narrow scope amendments will be considered. The IAASB will also publish a Basis for Conclusions document with the final pronouncement.

Effective Date

35. The IAASB's PIE Track 2, Going Concern and Fraud projects have or are considering revisions that impact the auditor's reports. The IAASB reaffirmed at its meeting in December 2024 that it is in the public interest to align the effective dates of these projects, to support effective implementation and avoid consecutive changes to the auditor's report in short succession.
36. In addition, respondents to ED-PIE Track 2 expressed support for a proposed effective date of 18-24 months after PIOB certification of the narrow scope amendments for Track 2. The IAASB believes this timeframe is sufficient to allow for translation of the final text, for national adoption processes to occur, and for firms and practitioners to update templates and associated internal materials.
37. Subject to IAASB approval and PIOB certification as discussed above, the Board agreed in December 2024 to the effective date of the narrow scope amendments to be for audits of financial statements for periods beginning on or after December 15, 2026. This would allow alignment of the effective dates of the PIE Track 2, Going Concern and Fraud projects.

Commitment to Revisit the IAASB's Original PIE Proposals

38. The IAASB confirmed in December 2024 its commitment to all elements of its original proposals in ED-PIE Track 2 (see **Table 1** on page 5). As discussed in **Section IV**, the IAASB has agreed to revisit the decision to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs), when the global adoption and implementation of such definition has sufficiently matured.
39. IAASB staff will work with IESBA staff in monitoring the adoption of the IESBA PIE revisions and to coordinate related information-gathering and outreach activities, including leveraging any early monitoring activities that IESBA may undertake (e.g., by IESBA's Adoption and Implementation Working Group). According to the [IESBA Work Plan for 2024-2027](#), a post-implementation review of the IESBA PIE revisions is planned to commence in 2027. This may factor into the IAASB's consideration of the initial report back by IAASB staff that is planned for the second half of 2026 (see paragraph 40).
40. IAASB staff plans to report back and request the Board for direction in the **second half of 2026** about revisiting the decision (and the process for doing so) to adopt the definition of PIE in the IESBA Code (adapted as necessary for the ISQMs and ISAs) and extending differential requirements to apply to audits of PIEs, and any other implications for the IAASB's standards that may be relevant at that time.

41. As the IAASB's direction becomes clearer and proposals are developed, Board level coordination between the IAASB and IESBA will take place, as appropriate. This may include keeping the IESBA Board informed of IAASB progress (and vice versa) by, for example, providing updates during each Board's meetings or utilizing joint IAASB-IESBA plenary sessions.

Appendix 1

Pre-Final Narrow Scope Amendments to the ISQMs and ISAs as a Result of the Revisions to the Definitions of Listed Entity and PIE in the IESBA Code

This Appendix includes the pre-final narrow scope amendments to the ISQMs and ISAs for the IAAAB's PIE Track 2 project on listed entity and PIE as confirmed and agreed by the Board in December 2024.

ED-PIE Track 2 had also included proposals for amendments to ISRE 2400 (Revised) to include a new requirement and application material to provide transparency in the practitioner's review report about the relevant ethical requirements for independence applied for certain entities, such as the independence requirements for PIEs in the IESBA Code. Based on the feedback received, the PIE Task Force proposed that these proposals be finalized without any further changes, which the Board supported in December 2024. The amendments to ISRE 2400 (Revised) do not directly relate to the issues that are the focus of the Post-Exposure Consultation and are not included in this Appendix.

This Appendix also does not include amendments for replacing "listed entity" with PTE in proposed ISA 240 (Revised), which is targeted for approval at the March 2025 IAASB meeting. In June 2025, the narrow scope amendments to the ISQMs, ISAs and ISRE 2400 (Revised) will include amendments to ISA 240 (Revised 2025) to reflect the position of the Board and the feedback from respondents to ED-240²⁰ on whether the differential requirements should be extended to entities other than listed entities.

Since ISA 570 (Revised 2024) was approved by the Board in December 2024, this Appendix does include the relevant text of approved ISA 570 (Revised 2024), with the proposed amendments for replacing "listed entity" with PTE in accordance with PIE Track 2.

ISQM 1, QUALITY MANAGEMENT FOR FIRMS THAT PERFORM AUDITS OR REVIEWS OF FINANCIAL STATEMENTS, OR OTHER ASSURANCE OR RELATED SERVICES ENGAGEMENTS

Introduction

Scope of this ISQM

...

- 5A. Some of the requirements set out in the ISQMs are applicable only to audits of financial statements of publicly traded entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Ref: Para. A2A-A2B)
- 5B. Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISQMs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Ref: Para. A2A-A2E)

²⁰ ED-240: [Proposed International Standard on Auditing 240 \(Revised\), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements and Proposed Conforming and Consequential Amendments to Other ISAs.](#)

...

Scalability

10. In applying a risk-based approach, the firm is required to take into account:

- (a) The nature and circumstances of the firm; and
- (b) The nature and circumstances of the engagements performed by the firm.

Accordingly, the design of the firm's system of quality management, in particular the complexity and formality of the system, will vary. For example, a firm that performs different types of engagements for a wide variety of entities, including audits of financial statements of ~~listed~~ publicly traded entities, will likely need to have a more complex and formalized system of quality management and supporting documentation, than a firm that performs only reviews of financial statements or compilation engagements.

...

Definitions

16. For purposes of this ISQM, the following terms have the meanings attributed below:

...

- ~~(j) Listed entity – An entity whose shares, stock or debt are quoted or listed on a recognized stock exchange, or are marketed under the regulations of a recognized stock exchange or other equivalent body.~~

...

(p)B Publicly traded entity – An entity that issues financial instruments that are transferrable and traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of complying with the ISQMs, if law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, for example for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria, the firm applies that more explicit definition.

...

Requirements**Applying, and Complying with, Relevant Requirements**

- 17. The firm shall comply with each requirement of this ISQM unless the requirement is not relevant to the firm because of the nature and circumstances of the firm or its engagements. (Ref: Para. A29)
- 18. The individual(s) assigned ultimate responsibility and accountability for the firm's system of quality management, and the individual(s) assigned operational responsibility for the firm's system of quality management shall have an understanding of this ISQM, including the application and other explanatory material, to understand the objective of this ISQM and to apply its requirements properly.

...

Specified Responses

34. In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116)
- (a) The firm establishes policies or procedures for:
 - (i) Identifying, evaluating and addressing threats to compliance with the relevant ethical requirements; and (Ref: Para. A117)
 - (ii) Identifying, communicating, evaluating and reporting of any breaches of the relevant ethical requirements and appropriately responding to the causes and consequences of the breaches in a timely manner. (Ref: Para. A118–A119)
 - (b) The firm obtains, at least annually, a documented confirmation of compliance with independence requirements from all personnel required by relevant ethical requirements to be independent.
 - (c) The firm establishes policies or procedures for receiving, investigating and resolving complaints and allegations about failures to perform work in accordance with professional standards and applicable legal and regulatory requirements, or non-compliance with the firm's policies or procedures established in accordance with this ISQM. (Ref: Para. A120–A121)
 - (d) The firm establishes policies or procedures that address circumstances when:
 - (i) The firm becomes aware of information subsequent to accepting or continuing a client relationship or specific engagement that would have caused it to decline the client relationship or specific engagement had that information been known prior to accepting or continuing the client relationship or specific engagement; or (Ref: Para. A122–A123)
 - (ii) The firm is obligated by law or regulation to accept a client relationship or specific engagement. (Ref: Para. A123)
 - (e) The firm establishes policies or procedures that: (Ref: Para. A124–A126)
 - (i) Require communication with those charged with governance when performing an audit of financial statements of ~~listed~~ publicly traded entities about how the system of quality management supports the consistent performance of quality audit engagements; (Ref: Para. A127–A129)
 - (ii) Address when it is otherwise appropriate to communicate with external parties about the firm's system of quality management; and (Ref: Para. A130)
 - (iii) Address the information to be provided when communicating externally in accordance with paragraphs 34(e)(i) and 34(e)(ii), including the nature, timing and extent and appropriate form of communication. (Ref: Para. A131–A132)
 - (f) The firm establishes policies or procedures that address engagement quality reviews in accordance with ISQM 2, and require an engagement quality review for:
 - (i) Audits of financial statements of ~~listed~~ publicly traded entities;
 - (ii) Audits or other engagements for which an engagement quality review is required by law or regulation; and (Ref: Para. A133)
 - (iii) Audits or other engagements for which the firm determines that an engagement quality

review is an appropriate response to address one or more quality risk(s). (Ref: Para. A134-A137)

...

Application and Other Explanatory Material

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A2A. The firm may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the firm may also apply one or more requirements set out in an ISQM for audits of financial statements of publicly traded entities to the audits of such other entity(ies). Paragraphs A2B–A2E may be relevant in this regard.

A2B. The extent of public interest in the financial condition of an entity may, for example, be affected by:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.
- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A2C. Law, regulation or professional requirements, including relevant ethical requirements, may define or designate an entity(ies) as a “public interest entity” or may use terms other than “public interest entity” to describe entities in which there is a significant public interest in their financial condition. For example, the IESBA Code has identified certain categories of public interest entity, including:

- A publicly traded entity.
- An entity one of whose main functions is to take deposits from the public, or
- An entity one of whose main functions is to provide insurance to the public.

A2D. In addition, those responsible for setting law, regulation or professional requirements may also designate categories of “public interest entities”. Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A2E. The firm may also consider the following factors in determining whether it may be appropriate to apply

one or more requirements in an ISQM for audits of publicly traded entities to the audit of another entity(ies):

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- Whether the entity is likely to become a publicly traded entity in the near future.
- Whether in similar circumstances, the firm has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the firm to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity's corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.
- Whether in similar circumstances, a predecessor firm has applied differential requirements for publicly traded entities to the entity.

...

Applying, and Complying with, Relevant Requirements (Ref: Para. 17)

A29. Examples of when a requirement of this ISQM may not be relevant to the firm

- The firm is a sole practitioner. For example, the requirements addressing the organizational structure and assigning roles, responsibilities and authority within the firm, direction, supervision and review and addressing differences of opinion may not be relevant.
- The firm only performs engagements that are related services engagements. For example, if the firm is not required to maintain independence for related services engagements, the requirement to obtain a documented confirmation of compliance with independence requirements from all personnel would not be relevant.

...

Specified Responses (Ref: Para. 34)

...

Communication with Those Charged with Governance (Ref. Para: 34(e)(i))

A127. How the communication with those charged with governance is undertaken (i.e., by the firm or the engagement team) may depend on the firm's policies or procedures and the circumstances of the engagement.

A128. ISA 260 (Revised) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements, and addresses the auditor's determination of the

appropriate person(s) within the entity's governance structure with whom to communicate²¹ and the communication process.²² In some circumstances, it may be appropriate to communicate with those charged with governance of entities other than ~~listed publicly traded~~ entities, including those where the firm determines that there is significant public interest in the financial condition of those entities (see paragraph A2A) (or when performing other engagements). Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities. ~~for example, entities that may have public interest or public accountability characteristics, such as:~~

- ~~• Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds.~~
- ~~• Entities with a high public profile, or whose management or owners have a high public profile.~~
- ~~• Entities with a large number and wide range of stakeholders.~~

Public sector considerations

A129. The firm may determine it is appropriate to communicate to those charged with governance of a public sector entity about how the firm's system of quality management supports the consistent performance of quality engagements, taking into account the size and complexity of the public sector entity, the range of its stakeholders, the nature of the services it provides, and the role and responsibilities of those charged with governance.

Determining When it is Otherwise Appropriate to Communicate with External Parties (Ref. Para: 34(e)(ii))

A130. The firm's determination of when it is appropriate to communicate with external parties about the firm's system of quality management is a matter of professional judgment and may be influenced by matters such as:

- The types of engagements performed by the firm, and the types of entities for which such engagements are undertaken.
- The nature and circumstances of the firm.
- The nature of the firm's operating environment, such as customary business practice in the firm's jurisdiction and the characteristics of the financial markets in which the firm operates.
- The extent to which the firm has already communicated with external parties in accordance with law or regulation (i.e., whether further communication is needed, and if so, the matters to be communicated).
- The expectations of stakeholders in the firm's jurisdiction, including the understanding and interest that external parties have expressed about the engagements undertaken by the firm, and the firm's processes in performing the engagements.
- Jurisdictional trends.
- The information that is already available to external parties.

²¹ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraphs 11–13

²² ISA 260 (Revised), paragraphs 18–22

- How external parties may use the information, and their general understanding of matters related to firms' system of quality management and audits or reviews of financial statements, or other assurance or related services engagements.
- The public interest benefits of external communication and whether it would reasonably be expected to outweigh the costs (monetary or otherwise) of such communication.

Section 1 The above matters may also affect the information provided by the firm in the communication, and the nature, timing and extent and appropriate form of communication.

Nature, Timing and Extent and Appropriate Form of Communication with External Parties (Ref. Para: 34(e)(iii))

A131.The firm may consider the following attributes in preparing information that is communicated to external parties:

- The information is specific to the circumstances of the firm. Relating the matters in the firm's communication directly to the specific circumstances of the firm may help to minimize the potential that such information becomes overly standardized and less useful over time.
- The information is presented in a clear and understandable manner, and the manner of presentation is neither misleading nor would inappropriately influence the users of the communication (e.g., the information is presented in a manner that is appropriately balanced towards positive and negative aspects of the matter being communicated).
- The information is accurate and complete in all material respects and does not contain information that is misleading.
- The information takes into consideration the information needs of the users for whom it is intended. In considering the information needs of the users, the firm may consider matters such as the level of detail that users would find meaningful and whether users have access to relevant information through other sources (e.g., the firm's website).

A132.The firm uses professional judgment in determining, in the circumstances, the appropriate form of communication with the external party, including communication with those charged with governance when performing an audit of financial statements of ~~listed~~ publicly traded entities, which may be made orally or in writing. Accordingly, the form of communication may vary.

Examples of form of communication to external parties

- A publication such as a transparency report or audit quality report.
- Targeted written communication to specific stakeholders (e.g., information about the results of the firm's monitoring and remediation process).
- Direct conversations and interactions with the external party (e.g., discussions between the engagement team and those charged with governance).
- A webpage.
- Other forms of digital media, such as social media, or interviews or presentations via webcast or video.

Engagements Subject to an Engagement Quality Review

Engagement Quality Review Required by Law or Regulation (Ref: Para. 34(f)(ii))

A133. This ISQM requires an engagement quality review for audits of financial statements of publicly traded entities. Law or regulation may also include explicit requirements to perform an engagement quality review to be performed for certain entities, for example, for audit engagements for entities that:

- Are public interest entities as defined in a particular specific jurisdiction;
- Operate in the public sector or which are recipients of government funding, or entities with public accountability;
- Operate in certain industries (e.g., financial institutions such as banks, insurance companies and pension funds);
- Meet a specified asset threshold; or
- Are under the management of a court or judicial process (e.g., liquidation).

Engagement Quality Review as a Response to Address One or More Quality Risk(s) (Ref: Para. 34(f)(iii))

A134. The firm's understanding of the conditions, events, circumstances, actions or inactions that may adversely affect the achievement of the quality objectives, as required by paragraph 25(a)(ii), relates to the nature and circumstances of the engagements performed by the firm. In designing and implementing responses to address one or more quality risk(s), the firm may determine that an engagement quality review is an appropriate response based on the reasons for the assessments given to the quality risks.

Examples of conditions, events, circumstances, actions or inactions giving rise to one or more quality risk(s) for which an engagement quality review may be an appropriate response

Those relating to the types of engagements performed by the firm and reports to be issued:

- Engagements that involve a high level of complexity or judgment, such as:
 - Audits of financial statements for entities operating in an industry that typically has accounting estimates with a high degree of estimation uncertainty (e.g., certain financial institutions or mining entities), or for entities for which uncertainties exist related to events or conditions that may cast significant doubt on their ability to continue as a going concern.
 - Assurance engagements that require specialized skills and knowledge in measuring or evaluating the underlying subject matter against the applicable criteria (e.g., a greenhouse gas statement in which there are significant uncertainties associated with the quantities reported therein).
- Engagements on which issues have been encountered, such as audit engagements with recurring internal or external inspection findings, unremediated significant deficiencies in internal control, or a material restatement of comparative information in the financial statements.
- Engagements for which unusual circumstances have been identified during the firm's acceptance and continuance process (e.g., a new client that had a disagreement with its previous auditor or assurance practitioner).

- Engagements that involve reporting on financial or non-financial information that is expected to be included in a regulatory filing, and that may involve a higher degree of judgment, such as pro forma financial information to be included in a prospectus.

Those relating to the types of entities for which engagements are undertaken:

- Entities in emerging industries, or for which the firm has no previous experience.
- Entities for which concerns were expressed in communications from securities or prudential regulators.
- ~~Entities other than listed entities that may have public interest or public accountability characteristics, for example:~~ Entities other than publicly traded entities if the firm determines that there is significant public interest in the financial condition of those entities (see paragraph A2A) for which an engagement quality review is not otherwise required by law or regulation. Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.
 - ~~Entities that hold a significant amount of assets in a fiduciary capacity for a large number of stakeholders including financial institutions, such as certain banks, insurance companies, and pension funds for which an engagement quality review is not otherwise required by law or regulation.~~
- Entities with a high public profile, or whose management or owners have a high public profile.
 - ~~Entities with a large number and wide range of stakeholders.~~

A135. The firm's responses to address quality risks may include other forms of engagement reviews that are not an engagement quality review. For example, for audits of financial statements, the firm's responses may include reviews of the engagement team's procedures relating to significant risks, or reviews of certain significant judgments, by personnel who have specialized technical expertise. In some cases, these other types of engagement reviews may be undertaken in addition to an engagement quality review.

A136. In some cases, the firm may determine that there are no audits or other engagements for which an engagement quality review or another form of engagement review is an appropriate response to address the quality risk(s).

Public sector considerations

A137. The nature and circumstances of public sector entities (e.g., due to their size and complexity, the range of their stakeholders, or the nature of the services they provide) may give rise to quality risks. In these circumstances, the firm may determine that an engagement quality review is an appropriate response to address such quality risks. Law or regulation may establish additional reporting requirements for the auditors of public sector entities (e.g., a separate report on instances of non-compliance with law or regulation to the legislature or other governing body or communicating such instances in the auditor's report on the financial statements). In such cases, the firm may also consider the complexity of such reporting, and its importance to users, in determining whether an engagement quality review is an appropriate response.

...

Engagement Inspections (Ref: Para. 38)

A151. *Examples of matters in paragraph 37 that may be considered by the firm in selecting completed engagements for inspection*

- In relation to the conditions, events, circumstances, actions or inactions giving rise to the quality risks:
 - The types of engagements performed by the firm, and the extent of the firm's experience in performing the type of engagement.
 - The types of entities for which engagements are undertaken, for example:
 - Entities that are ~~listed~~ publicly traded entities.
 - Entities operating in emerging industries.
 - Entities operating in industries associated with a high level of complexity or judgment.
 - Entities operating in an industry that is new to the firm.
 - The tenure and experience of engagement partners.
- The results of previous inspections of completed engagements, including for each engagement partner.
- In relation to other relevant information:
 - Complaints or allegations about an engagement partner.
 - The results of external inspections, including for each engagement partner.
 - The results of the firm's evaluation of each engagement partner's commitment to quality.

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Evaluating Identified Deficiencies (Ref: Para. 41)

...

Root Cause of the Identified Deficiencies (Ref: Para. 41(a))

A165. The objective of investigating the root cause(s) of identified deficiencies is to understand the underlying circumstances that caused the deficiencies to enable the firm to:

- Evaluate the severity and pervasiveness of the identified deficiency; and
- Appropriately remediate the identified deficiency.

Performing a root cause analysis involves those performing the assessment exercising professional judgment based on the evidence available.

A166. The nature, timing and extent of the procedures undertaken to understand the root cause(s) of an identified deficiency may also be affected by the nature and circumstances of the firm, such as:

- The complexity and operating characteristics of the firm.

- The size of the firm.
- The geographical dispersion of the firm.
- How the firm is structured or the extent to which the firm concentrates or centralizes its processes or activities.

Examples of how the nature of identified deficiencies and their possible severity and the nature and circumstances of the firm may affect the nature, timing and extent of the procedures to understand the root cause(s) of the identified deficiencies

- The nature of the identified deficiency: The firm's procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when an engagement report related to an audit of financial statements of a ~~listed~~ publicly traded entity was issued that was inappropriate or the identified deficiency relates to leadership's actions and behaviors regarding quality.
- The possible severity of the identified deficiency: The firm's procedures to understand the root cause(s) of an identified deficiency may be more rigorous in circumstances when the deficiency has been identified across multiple engagements or there is an indication that policies or procedures have high rates of non-compliance.
- Nature and circumstances of the firm:
 - In the case of a less complex firm with a single location, the firm's procedures to understand the root cause(s) of an identified deficiency may be simple, since the information to inform the understanding may be readily available and concentrated, and the root cause(s) may be more apparent.
 - In the case of a more complex firm with multiple locations, the procedures to understand the root cause(s) of an identified deficiency may include using individuals specifically trained on investigating the root cause(s) of identified deficiencies, and developing a methodology with more formalized procedures for identifying root cause(s).

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ISQM 2, ENGAGEMENT QUALITY REVIEWS

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Application and Other Explanatory Material

Appointment and Eligibility of Engagement Quality Reviewers

Assignment of Responsibility for the Appointment of Engagement Quality Reviewers (Ref: Para. 17)

- A1. Competence and capabilities that are relevant to an individual's ability to fulfill responsibility for the appointment of the engagement quality reviewer may include appropriate knowledge about:
- The responsibilities of an engagement quality reviewer;
 - The criteria in paragraphs 18 and 19 regarding the eligibility of engagement quality reviewers; and

- The nature and circumstances of the engagement or the entity subject to an engagement quality review, including the composition of the engagement team.
- A2. The firm's policies or procedures may specify that the individual responsible for the appointment of engagement quality reviewers not be a member of the engagement team for which an engagement quality review is to be performed. However, in certain circumstances (e.g., in the case of a smaller firm or a sole practitioner), it may not be practicable for an individual other than a member of the engagement team to appoint the engagement quality reviewer.
- A3. The firm may assign more than one individual to be responsible for appointing engagement quality reviewers. For example, the firm's policies or procedures may specify a different process for appointing engagement quality reviewers for audits of listed publicly traded entities than for audits of non-listed entities other than publicly traded entities or other engagements, with different individuals responsible for each process.

...

Performance of the Engagement Quality Review (Ref: Para. 24–27)

...

Procedures Performed by the Engagement Quality Reviewer (Ref: Para. 25–27)

- A28. The firm's policies or procedures may specify the nature, timing and extent of the procedures performed by the engagement quality reviewer and also may emphasize the importance of the engagement quality reviewer exercising professional judgment in performing the review.
- A29. The timing of the procedures performed by the engagement quality reviewer may depend on the nature and circumstances of the engagement or the entity, including the nature of the matters subject to the review. Timely review of the engagement documentation by the engagement quality reviewer throughout all stages of the engagement (e.g., planning, performing and reporting) allows matters to be promptly resolved to the engagement quality reviewer's satisfaction, on or before the date of the engagement report. For example, the engagement quality reviewer may perform procedures in relation to the overall strategy and plan for the engagement at the completion of the planning phase. Timely performance of the engagement quality review also may reinforce the exercise of professional judgment and, when applicable to the type of engagement, professional skepticism, by the engagement team in planning and performing the engagement.
- A30. The nature and extent of the engagement quality reviewer's procedures for a specific engagement may depend on, among other factors:
- The reasons for the assessments given to quality risks,²³ for example, engagements performed for entities in emerging industries or with complex transactions.
 - Identified deficiencies, and the remedial actions to address the identified deficiencies, related to the firm's monitoring and remediation process, and any related guidance issued by the firm, which may indicate areas where more extensive procedures need to be performed by the engagement quality reviewer.
 - The complexity of the engagement.

²³ ISQM 1, paragraph A49

- The nature and size of the entity, including whether the entity is a ~~listed~~ publicly traded entity.
- Findings relevant to the engagement, such as the results of inspections undertaken by an external oversight authority in a prior period, or other concerns raised about the quality of the work of the engagement team.
- Information obtained from the firm's acceptance and continuance of client relationships and specific engagements.
- For assurance engagements, the engagement team's identification and assessment of, and responses to, risks of material misstatement in the engagement.
- Whether members of the engagement team have cooperated with the engagement quality reviewer. The firm's policies or procedures may address the actions the engagement quality reviewer takes in circumstances when the engagement team has not cooperated with the engagement quality reviewer, for example, informing an appropriate individual in the firm so appropriate action can be taken to resolve the issue.

A31. The nature, timing and extent of the engagement quality reviewer's procedures may need to change based on circumstances encountered in performing the engagement quality review.

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ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS ON AUDITING

Introduction

...

An Audit of Financial Statements

...

- 9A. Some of the requirements set out in the ISAs are applicable only to audits of financial statements of publicly traded entities, reflecting significant public interest in the financial condition of these entities due to the potential impact of their financial well-being on stakeholders. (Ref: Para. A13A-A13B)
- 9B. Stakeholders have heightened expectations regarding an audit engagement for a publicly traded entity because of the significance of the public interest in the financial condition of the entity. The purpose of the requirements in the ISAs that apply to audits of financial statements of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial statements that can be used when assessing the entity's financial condition. (Ref: Para. A13A-A13E)

...

Definitions

...

13. For purposes of the ISAs, the following terms have the meanings attributed below:

...

(l)B Publicly traded entity – An entity that issues financial instruments that are transferrable and

traded through a publicly accessible market mechanism, including through listing on a stock exchange. A listed entity as defined by relevant securities law or regulation is an example of a publicly traded entity.

For purposes of complying with the ISAs, if law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, for example for purposes of defining entities that are considered public interest entities, by making reference to specific public markets for trading securities, incorporating exemptions for specific types of entities, or setting size criteria, the auditor applies that more explicit definition.

...

Requirements

...

Conduct of an Audit in Accordance with ISAs

...

Complying with Relevant Requirements

22. Subject to paragraph 23, the auditor shall comply with each requirement of an ISA unless, in the circumstances of the audit:
- (a) The entire ISA is not relevant; or
 - (b) The requirement is not relevant because it is conditional and the condition does not exist. (Ref: Para. A79–A80)
23. In exceptional circumstances, the auditor may judge it necessary to depart from a relevant requirement in an ISA. In such circumstances, the auditor shall perform alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective in achieving the aim of the requirement. (Ref: Para. A81)

...

Application and Other Explanatory Material

An Audit of Financial Statements

...

Public Interest in the Financial Condition of an Entity (Ref: Para. 9A-9B)

A13A. The auditor may determine that there are entities other than publicly traded entities where stakeholders have heightened expectations regarding the audit engagement, reflecting significant public interest in the financial condition of those entities. Therefore, the auditor may also apply one or more requirements set out in an ISA for audits of financial statements of publicly traded entities to the audits of such other entity(ies). Paragraphs A13B–A13E may be relevant in this regard.

A13B. The extent of public interest in the financial condition of an entity may, for example, be affected by:

- The nature of the business or activities, such as taking on financial obligations to the public as part of the entity's primary business.

- Whether the entity is subject to regulatory supervision designed to provide confidence that the entity will meet its financial obligations.
- Size of the entity.
- The importance of the entity to the sector in which it operates including how easily replaceable it is in the event of financial failure.
- Number and nature of stakeholders including investors, customers, creditors and employees.
- The potential systemic impact on other sectors and the economy as a whole in the event of financial failure of the entity.

A13C. Law, regulation or professional requirements, including relevant ethical requirements, may define or designate an entity(ies) as a “public interest entity” or may use terms other than “public interest entity” to describe entities in which there is a significant public interest in their financial condition. For example, the IESBA Code has identified certain categories of public interest entity, including:

- A publicly traded entity.
- An entity one of whose main functions is to take deposits from the public, or
- An entity one of whose main functions is to provide insurance to the public.

A13D. In addition, those responsible for setting law, regulation or professional requirements may also designate categories of “public interest entities”. Depending on the facts and circumstances in a specific jurisdiction, such categories may include:

- Pension funds.
- Collective investment vehicles.
- Private entities with large numbers of stakeholders (other than investors).
- Not-for-profit organizations or governmental entities.
- Public utilities.

A13E. The auditor may also consider the following factors in determining whether to apply one or more requirements in an ISA for audits of publicly traded entities to the audit of another entity(ies):

- Whether the entity is treated as a public interest entity for purposes of relevant ethical requirements, including those related to independence.
- Whether the entity is likely to become a publicly traded entity in the near future.
- Whether in similar circumstances, the auditor has applied the differential requirements for publicly traded entities to other entities.
- Whether the entity has been specified as not being a publicly traded entity by law, regulation or professional requirements.
- Whether the entity or other stakeholders requested the auditor to apply the differential requirements for publicly traded entities to the entity and, if so, whether there are any reasons for not meeting this request.
- The entity’s corporate governance arrangements, for example, whether those charged with governance are distinct from the owners or management.

- Whether in similar circumstances, a predecessor auditor has applied differential requirements for publicly traded entities to the entity.

...

Conduct of an Audit in Accordance with ISAs

...

Contents of the ISAs (Ref: Para. 19)

...

Scalability Considerations

...

A69. Scalability considerations have been included in some ISAs (e.g., ISA 315 (Revised 2019)), illustrating the application of the requirements to all entities regardless of whether their nature and circumstances are less complex or more complex. Less complex entities are entities for which the characteristics in paragraph A71 may apply.

A70. The “considerations specific to smaller entities” included in some ISAs have been developed primarily with ~~unlisted~~ entities other than publicly traded entities in mind. Some of the considerations, however, may be helpful in audits of smaller ~~listed~~ publicly traded entities.

A71. For purposes of specifying additional considerations to audits of smaller entities, a “smaller entity” refers to an entity which typically possesses qualitative characteristics such as:

- (a) Concentration of ownership and management in a small number of individuals (often a single individual – either a natural person or another enterprise that owns the entity provided the owner exhibits the relevant qualitative characteristics); and
- (b) One or more of the following:
 - (i) Straightforward or uncomplicated transactions;
 - (ii) Simple record-keeping;
 - (iii) Few lines of business and few products within business lines;
 - (iv) Simpler system of internal controls;
 - (v) Few levels of management with responsibility for a broad range of controls; or
 - (vi) Few personnel, many having a wide range of duties.

These qualitative characteristics are not exhaustive, they are not exclusive to smaller entities, and smaller entities do not necessarily display all of these characteristics.

...

Complying with Relevant Requirements

Relevant Requirements (Ref: Para. 22)

...

Departure from a Requirement (Ref: Para. 23)

A81. ISA 230 establishes documentation requirements in those exceptional circumstances where the

auditor departs from a relevant requirement.²⁴ The ISAs do not call for compliance with a requirement that is not relevant in the circumstances of the audit.

...

ISA 210, AGREEING THE TERMS OF AUDIT ENGAGEMENTS

...

Application and Other Explanatory Material

...

Preconditions for an Audit

...

Agreement of the Responsibilities of Management (Ref: Para. 6(b))

...

A12. The way in which the responsibilities for financial reporting are divided between management and those charged with governance will vary according to the resources and structure of the entity and any relevant law or regulation, and the respective roles of management and those charged with governance within the entity. In most cases, management is responsible for execution while those charged with governance have oversight of management. In some cases, those charged with governance will have, or will assume, responsibility for approving the financial statements or monitoring the entity's internal control related to financial reporting. In larger or more complex entities, a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities.

...

ISA 220 (REVISED), QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

...

Application and Other Explanatory Material

...

Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 16–21)

Relevant Ethical Requirements (Ref: Para. 1, 16–21)

A39. ISA 200²⁵ requires that the auditor comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements. Relevant ethical requirements may vary depending on the nature and circumstances of the engagement. For example, certain requirements related to independence may be applicable only when performing audits of listed-publicly traded or public interest entities. ISA 600 (Revised) includes additional requirements and guidance to those in this ISA regarding communications about relevant ethical requirements with component auditors.

²⁴ ISA 230, paragraph 12

²⁵ ISA 200, paragraphs 14 and A16–A19

...

ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to communicate with those charged with governance in an audit of financial statements. Although this ISA applies irrespective of an entity's governance structure or size, particular considerations apply where all of those charged with governance are involved in managing an entity, and for ~~listed~~ publicly traded entities. This ISA does not establish requirements regarding the auditor's communication with an entity's management or owners unless they are also charged with a governance role.

...

Requirements

...

Matters to Be Communicated

...

Auditor Independence

17. The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial statements of certain entities. (Ref: Para. A29)
18. ~~In the case of listed entities, the~~ The auditor shall communicate with those charged with governance ~~a:~~ A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence, ~~and~~
~~;~~
and
- 18A. For audits of financial statements of publicly traded entities, the statement required by paragraph 18 shall include
 - (a) All relationships and other matters between the firm, network firms, and the entity that, in the auditor's professional judgment, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial statements for audit and non-audit services provided by the firm and network firms to the entity and components controlled by the entity. These fees shall be allocated to categories that are appropriate to assist those charged with governance in assessing the effect of services on the independence of the auditor; and (Ref: Para. A29A)
 - (b) In respect of threats to independence that are not at an acceptable level, the actions taken to address the threats, including actions that were taken to eliminate the circumstances that create the threats, or applying safeguards to reduce the threats to an acceptable level. (Ref: Para. A30–A32)

...

The Communication Process

...

Forms of Communication

...

21. The auditor shall communicate in writing with those charged with governance regarding auditor independence ~~when as~~ required by paragraphs ~~17–18A~~.

...

Application and Other Explanatory Material

...

Matters to Be Communicated

...

Auditor Independence (Ref: Para. 17–18A)

- A29. The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial statement audit engagements²⁶ and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- Establish independence requirements that are specific to audits of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial statements of public interest entities in the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code). If applicable in the circumstances of the audit engagement, this ISA requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.
- Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial statements of certain entities specified in the relevant ethical requirements.²⁷ ISA 700 (Revised) addresses the requirements for the auditor's report relating to the auditor's independence and the relevant ethical requirements the auditor applied.²⁸
- Require or encourage the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial statements of certain entities to audits of financial statements of other entities not specified in the relevant ethical requirements.²⁹ If this

²⁶ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 14

²⁷ See, for example, the public disclosure requirements in the IESBA Code, paragraphs R400.20-R400.21.

²⁸ ISA 700 (Revised), paragraph 28(c)

²⁹ See, for example, encouragement in the application material in the IESBA Code, paragraph 400.19 A1.

is the case and the auditor is required to publicly disclose when the auditor applied such independence requirements, the auditor may discuss with management or those charged with governance whether there is a risk of misunderstanding the nature of the entity and any need for additional disclosure.

A29A. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance for matters that may reasonably be thought to bear on independence. For example, the IESBA Code requires the auditor to communicate with those charged with governance information regarding fees,³⁰ including fees for sustainability assurance engagements, and the provision of non-assurance services for audit clients that are public interest entities.³¹

A30. The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

A31. Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. For example, the IESBA Code requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take.³²

A32. The communication requirements relating to auditor independence that apply in the case of ~~listed~~ publicly traded entities may also be appropriate in the case of ~~some other entities~~ other than publicly traded entities, including those where the auditor determines that there is significant public interest in the financial condition of those entities.³³ ~~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.~~ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities. ~~On the other hand, there may be situations where communications regarding independence may not be relevant, for example, where all of those charged with governance have been informed of relevant facts through their management activities. This is particularly where the entity is owner managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial statement audit.~~

...

The Communication Process

Establishing the Communication Process (Ref: Para. 18)

...

Considerations Specific to Smaller Entities

A40. In the case of audits of smaller entities, the auditor may communicate in a less structured manner

³⁰ See, for example, paragraphs R410.23–R410.28 of the IESBA Code.

³¹ See, for example, paragraphs R600.21–R600.23 of the IESBA Code.

³² See, for example, paragraphs R400.80–R400.82 and R400.84 of the IESBA Code.

³³ ISA 200, paragraph A13A.

with those charged with governance than in the case of, for example, publicly traded or listed or larger entities.

...

ISA 265, COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE CHARGED WITH GOVERNANCE AND MANAGEMENT

...

Application and Other Explanatory Material

...

Significant Deficiencies in Internal Control (Ref: Para. 6(b), 8)

...

- A9. Law or regulation in some jurisdictions may establish a requirement (particularly for audits of ~~listed~~ publicly traded entities) for the auditor to communicate to those charged with governance or to other relevant parties (such as regulators) one or more specific types of deficiency in internal control that the auditor has identified during the audit. Where law or regulation has established specific terms and definitions for these types of deficiency and requires the auditor to use these terms and definitions for the purpose of the communication, the auditor uses such terms and definitions when communicating in accordance with the legal or regulatory requirement.

...

Communication of Deficiencies in Internal Control

Communication of Significant Deficiencies in Internal Control to Those Charged with Governance (Ref: Para. 9)

...

- A13. In determining when to issue the written communication, the auditor may consider whether receipt of such communication would be an important factor in enabling those charged with governance to discharge their oversight responsibilities. In addition, for ~~listed~~ publicly traded entities in certain jurisdictions, those charged with governance may need to receive the auditor's written communication before the date of approval of the financial statements in order to discharge specific responsibilities in relation to internal control for regulatory or other purposes. For other entities, the auditor may issue the written communication at a later date. Nevertheless, in the latter case, as the auditor's written communication of significant deficiencies forms part of the final audit file, the written communication is subject to the overriding requirement³⁴ for the auditor to complete the assembly of the final audit file on a timely basis. ISA 230 states that an appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.³⁵
- A14. Regardless of the timing of the written communication of significant deficiencies, the auditor may communicate these orally in the first instance to management and, when appropriate, to those

³⁴ ISA 230, *Audit Documentation*, paragraph 14

³⁵ ISA 230, paragraph A21

charged with governance to assist them in taking timely remedial action to minimize the risks of material misstatement. Doing so, however, does not relieve the auditor of the responsibility to communicate the significant deficiencies in writing, as this ISA requires.

A15. The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional judgment in the circumstances. Factors that the auditor may consider in determining an appropriate level of detail for the communication include, for example:

- The nature of the entity. For example, the communication required for a public interest entity may be different from that for an entity other than a non-public interest entity.
- The size and complexity of the entity. For example, the communication required for a complex entity may be different from that for an entity operating a simple business.
- The nature of significant deficiencies that the auditor has identified.
- The entity's governance composition. For example, more detail may be needed if those charged with governance include members who do not have significant experience in the entity's industry or in the affected areas.
- Legal or regulatory requirements regarding the communication of specific types of deficiency in internal control.

...

ISA 315 (REVISED 2019), IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

...

Application and Other Explanatory Material

...

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control (Ref: Para. 19–27)

...

The Entity and Its Environment (Ref: Para. 19(a))

The Entity's Organizational Structure, Ownership and Governance, and Business Model (Ref: Para. 19(a)(i))

The entity's organizational structure and ownership

A56. An understanding of the entity's organizational structure and ownership may enable the auditor to understand such matters as:

- The complexity of the entity's structure.
- ...
- The distinction between the owners, those charged with governance and management.

Example:

In less complex entities, owners of the entity may be involved in managing the entity, therefore there is little or no distinction. In contrast, such as in some ~~listed publicly traded~~ entities, there may be a clear distinction between management, the owners of the entity, and those charged with governance.³⁶

...

ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES

...

Appendix
(Ref: Para A8)

Illustrations of Auditors' Reports with Modified Opinions

...

Illustration 1:

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³⁷ does not apply).**

...

Illustration 2:

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

...

ISA 570 (REVISED 2024), GOING CONCERN

Introduction

Scope of this ISA

³⁶ ISA 260 (Revised), paragraphs A1 and A2, provide guidance on the identification of those charged with governance and explains that in some cases, some or all of those charged with governance may be involved in managing the entity.

³⁷ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

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

...

Requirements

...

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 as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
 - (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 of a ~~listed entity~~ publicly traded entity, 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: (Ref: Para. A82-A83, A89)
 - (i) Include a reference to the related disclosure(s) in the financial statements; 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

35. If adequate disclosure about the material uncertainty is made in the financial statements, 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 statements; (Ref: Para. A77)
 - (b) For an audit of financial statements of a ~~listed entity~~ publicly traded 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 as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - (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.

...

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

...

- A2. For audits of financial statements of ~~listed entities~~ publicly traded entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and 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, this ISA 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.

...

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

...

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

...

- A81. Illustration 1 of the Appendix to this ISA is an example of an auditor's report of an entity other than a ~~listed entity~~ publicly traded 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 of an entity other than a ~~listed entity~~ publicly traded entity, law or regulation may require the auditor to provide the information required by paragraph 34(b). The auditor may also decide that providing the information required by paragraph 34(b) for ~~an entity~~ other than a listed entity publicly traded entity would be appropriate to enhance transparency for intended users of financial statements in the auditor's report. For example, the auditor may decide to do so if the auditor determines that there is significant public interest in the financial condition of those

~~entities.~~³⁸ ~~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.~~ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

...

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

...

A89. Illustration 2 of the Appendix to this ISA is an example of an auditor's report of ~~listed entity~~ publicly traded 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 statements adequately disclose the significant judgments 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)

...

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

A91. Illustrations 3 and 4 of the Appendix to this ISA are examples of an auditor's report of an entity other than a ~~listed entity~~ publicly traded entity and a ~~listed entity~~ publicly traded 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.

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

A92. Illustrations 5 and 6 of the Appendix to this ISA are examples of auditor's reports for a ~~listed entity~~ publicly traded entity and an entity other than a ~~listed entity~~ publicly traded 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.

...

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

...

A101. In the case of an entity other than a ~~listed entity~~ publicly traded entity, in addition to the required

³⁸ ISA 200, paragraph A13A

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.

...

Appendix
(Ref: Para. A78, A81, A89, A91–A92)

Illustrations of Independent Auditor's Reports Related to Going Concern

- Illustration 1: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: An auditor's report of a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements about the significant judgments 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~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 4: An auditor's report of a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 5: An auditor's report of a ~~listed entity~~ publicly traded 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.
- Illustration 6: An auditor's report of an entity other than a ~~listed entity~~ publicly traded 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.

Illustration 1 – An Auditor's Report of an Entity Other Than a ~~Listed~~ Publicly Traded 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 financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³⁹ does not apply).**
- ...

³⁹ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 2 – An Auditor’s Report of a ~~Listed~~ Publicly Traded Entity Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements About the Significant Judgments 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 financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

Illustration 3 – An Auditor’s Report of an Entity Other Than a ~~Listed~~ Publicly Traded 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 financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

Illustration 4 – An Auditor’s Report of a ~~Listed~~ Publicly Traded 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 financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

Illustration 5 – An Auditor’s Report of a ~~Listed~~ Publicly Traded Entity Containing a Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are 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 financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- ...

Illustration 6 – An Auditor’s Report of an Entity Other Than a ~~Listed-Publicly Traded~~ Entity Containing an Adverse Opinion When a Material Uncertainty Exists and 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 financial statements of an entity other than a ~~listed-publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

ISA 600 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

...

Appendix 1

(Ref: Para. A45)

Illustration of Independent Auditor’s Report Where the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

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

- **Audit of a complete set of consolidated financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of the Consolidated Financial Statements⁴⁰

...

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised). The last two paragraphs which are applicable for audits of ~~listed-publicly traded~~ entities only would not be included.]

...

ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

...

Requirements

⁴⁰ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

...

Auditor's Report

...

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

...

Key Audit Matters

30. For audits of complete sets of general purpose financial statements of ~~listed publicly traded~~ entities, the auditor shall communicate key audit matters in the auditor's report in accordance with ISA 701.
31. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor's report, the auditor shall do so in accordance with ISA 701. (Ref: Para. A41–A44~~3~~)

...

Auditor's Responsibilities for the Audit of the Financial Statements

...

40. The Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report also shall: (Ref: Para. A51)
 - (a) State that the auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit;
 - (b) ~~For audits of financial statements of listed entities, s~~State that the auditor provides those charged with governance with a statement that the auditor has:
 - (i) ~~C~~omplied with relevant ethical requirements regarding independence; and
 - (ii) For audits of financial statements of publicly traded entities, communicated with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, actions taken to eliminate threats or safeguards applied; and
 - (c) For audits of financial statements of ~~listed publicly traded~~ entities and any other entities for which key audit matters are communicated in accordance with ISA 701, state that, from the matters communicated with those charged with governance, the auditor determines those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. (Ref: Para. A54)

...

Name of the Engagement Partner

46. The name of the engagement partner shall be included in the auditor's report on financial statements of ~~listed publicly traded~~ entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat. In the rare circumstances that the auditor intends not to include the name of the engagement partner in the auditor's report, the auditor shall discuss this intention with those charged with governance to inform the auditor's assessment of the likelihood and severity of a significant personal security threat. (Ref: Para. A62–A64)

...

Auditor's Report Prescribed by Law or Regulation

50. 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 International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A71–A72)

(a) ...

- (l) For audits of complete sets of general purpose financial statements of ~~listed publicly traded~~ entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.

(m) ...

...

Application and Other Explanatory Material

...

Auditor's Report (Ref: Para. 20)

...

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

...

Key Audit Matters (Ref: Para. 31)

- A41. This ISA requires communication of key audit matters for audits of financial statements of publicly traded entities. Law or regulation may also require communication of key audit matters for audits of entities other than publicly traded entities ~~listed entities~~ for example, entities characterized in such law or regulation as public interest entities.
- A42. The auditor may also decide to communicate key audit matters for ~~other~~ entities other than publicly traded entities, including those where the auditor determines that there is significant public interest in the financial condition of those entities.⁴¹ ~~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.~~ Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.

⁴¹ ISA 200, paragraph A13A

A43. ISA 210 requires the auditor to agree the terms of the audit engagement with management and those charged with governance, as appropriate, and explains that the roles of management and those charged with governance in agreeing the terms of the audit engagement for the entity depend on the governance arrangements of the entity and relevant law or regulation.⁴² ISA 210 also requires the audit engagement letter or other suitable form of written agreement to include reference to the expected form and content of any reports to be issued by the auditor.⁴³ When the auditor is not otherwise required to communicate key audit matters, ISA 210⁴⁴ explains that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report and, in certain jurisdictions, it may be necessary for the auditor to include a reference to such possibility in order to retain the ability to do so.

Considerations specific to public sector entities

A44. ~~Listed~~ Publicly traded entities are not common in the public sector. However, public sector entities may be significant due to size, complexity or public interest aspects. In such cases, an auditor of a public sector entity may be required by law or regulation or may otherwise decide to communicate key audit matters in the auditor's report.

...

Name of the Engagement Partner (Ref: Para. 46)

A62. The objective of the firm in ISQM 1⁴⁵ is to design, implement and operate a system of quality management that provides the firm with reasonable assurance that:

- The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding the objective of ISQM 1, naming the engagement partner in the auditor's report is intended to provide further transparency to the users of the auditor's report on the financial statements of a ~~listed~~ publicly traded entity.

A63. Law, regulation or national auditing standards may require that the auditor's report include the name of the engagement partner responsible for audits other than those of financial statements of ~~listed~~ publicly traded entities. The auditor may also be required by law, regulation or national auditing standards, or may decide to include additional information beyond the engagement partner's name in the auditor's report to further identify the engagement partner, for example, the engagement partner's professional license number that is relevant to the jurisdiction where the auditor practices.

A64. In rare circumstances, the auditor may identify information or be subject to experiences that indicate the likelihood of a personal security threat that, if the identity of the engagement partner is made public, may result in physical harm to the engagement partner, other engagement team members or

⁴² ISA 210, paragraphs 9 and A22

⁴³ ISA 210, paragraph 10

⁴⁴ ISA 210, paragraph A25

⁴⁵ ISQM 1, *Quality Control for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph 14

other closely related individuals. However, such a threat does not include, for example, threats of legal liability or legal, regulatory or professional sanctions. Discussions with those charged with governance about circumstances that may result in physical harm may provide additional information about the likelihood or severity of the significant personal security threat. Law, regulation or national auditing standards may establish further requirements that are relevant to determining whether the disclosure of the name of the engagement partner may be omitted.

...

Appendix

(Ref: Para A19)

Illustrations of Independent Auditor's Reports on Financial Statements

- Illustration 1: An auditor's report on financial statements of a ~~listed~~ publicly traded entity prepared in accordance with a fair presentation framework
- Illustration 2: An auditor's report on consolidated financial statements of a ~~listed~~ publicly traded entity prepared in accordance with a fair presentation framework
- Illustration 3: An auditor's report on financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a fair presentation framework (where reference is made to material that is located on a website of an appropriate authority)
- Illustration 4: An auditor's report on financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a general purpose compliance framework

Illustration 1 – Auditor's Report on Financial Statements of a ~~Listed~~ Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework

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

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 2 – Auditor's Report on Consolidated Financial Statements of a ~~Listed~~ Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework

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

- **Audit of a complete set of consolidated financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

Illustration 3 – Auditor’s Report on Financial Statements of an Entity Other than a Listed Publicly Traded Entity Prepared in Accordance with a Fair Presentation Framework

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

- **Audit of a complete set of financial statements of an entity other than a listed publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The auditor elects to refer to the description of the auditor’s responsibility included on a website of an appropriate authority.**

...

...

Illustration 4 – Auditor’s Report on Financial Statements of an Entity Other than a Listed Publicly Traded Entity Prepared in Accordance with a General Purpose Compliance Framework

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

- **Audit of a complete set of financial statements of an entity other than a listed publicly traded entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴⁶

...

⁴⁶ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 41(b) of this ISA explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ...

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

...

ISA 701, COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

Introduction

Scope of this ISA

...

5. This ISA applies to audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This ISA also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.⁴⁷ However, ISA 705 (Revised) prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial statements, unless such reporting is required by law or regulation.⁴⁸

...

⁴⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 30–31

⁴⁸ ISA 705 (Revised), paragraph 29

Application and Other Explanatory Material

...

Communicating Key Audit Matters

...

Form and Content of the Key Audit Matters Section in Other Circumstances (Ref: Para. 16)

...

A59. The determination of key audit matters involves making a judgment about the relative importance of matters that required significant auditor attention. Therefore, it may be rare that the auditor of a complete set of general purpose financial statements of a ~~listed~~ publicly traded entity would not determine at least one key audit matter from the matters communicated with those charged with governance to be communicated in the auditor's report. However, in certain limited circumstances (e.g., for a ~~listed~~ publicly traded entity that has very limited operations), the auditor may determine that there are no key audit matters in accordance with paragraph 10 because there are no matters that required significant auditor attention.

...

ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

...

Appendix

(Ref: Para A17–A18, A25)

Illustrations of Independent Auditor's Reports with Modifications to the Opinion

- Illustration 1: An auditor's report containing a qualified opinion due to a material misstatement of the financial statements.
- Illustration 2: An auditor's report containing an adverse opinion due to a material misstatement of the consolidated financial statements.
- Illustration 3: An auditor's report containing a qualified opinion due to the auditor's inability to obtain sufficient appropriate audit evidence regarding a foreign associate.
- Illustration 4: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about a single element of the consolidated financial statements.
- Illustration 5: An auditor's report containing a disclaimer of opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements.

Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements

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

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁴⁹ does not apply).**

...

Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements

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

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

Illustration 3 – Qualified Opinion due to the Auditor’s Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate

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

- **Audit of a complete set of consolidated financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

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

- **Audit of a complete set of consolidated financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

⁴⁹ ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

Illustration 5 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements

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

- **Audit of a complete set of financial statements of an entity other than a listed publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised), does not apply).**

...

ISA 706 (REVISED), EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR’S REPORT

...

Application and Other Explanatory Material

...

Placement of Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor’s Report
(Ref: Para. 9, 11)

...

A17. Appendix 3 is an illustration of the interaction between the Key Audit Matters section, an Emphasis of Matter paragraph and an Other Matter paragraph when all are presented in the auditor’s report. The illustrative report in Appendix 4 includes an Emphasis of Matter paragraph in an auditor’s report for an entity other than a listed publicly traded entity that contains a qualified opinion and for which key audit matters have not been communicated.

...

Appendix 3

(Ref: Para A17)

Illustration of an Independent Auditor’s Report that Includes a Key Audit Matters Section, an Emphasis of Matter Paragraph, and an Other Matter Paragraph

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

- **Audit of a complete set of financial statements of a listed publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁵⁰ does not apply).**

...

Appendix 4

(Ref: Para A8)

⁵⁰ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration of an Independent Auditor’s Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

ISA 710, COMPARATIVE INFORMATION—CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

...

Appendix

(Ref: Para A5, A7, A10)

Illustrations of Independent Auditors’ Reports

Illustration 1 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁵¹ does not apply).**

...

Illustration 2 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 3 – Corresponding Figures

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

⁵¹ ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 4 – Comparative Financial Statements

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed-publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

ISA 720 (REVISED), THE AUDITOR’S RESPONSIBILITIES RELATING TO OTHER INFORMATION

Introduction

...

Scope of this ISA

...

6. The auditor’s responsibilities relating to other information (other than applicable reporting responsibilities) apply regardless of whether the other information is obtained by the auditor prior to, or after, the date of the auditor’s report.

...

Requirements

...

Reporting

21. The auditor’s report shall include a separate section with a heading “Other Information”, or other appropriate heading, when, at the date of the auditor’s report:
 - (a) For an audit of financial statements of a ~~listed-publicly traded~~ entity, the auditor has obtained, or expects to obtain, the other information; or
 - (b) For an audit of financial statements of an entity other than a ~~listed-publicly traded~~ entity, the auditor has obtained some or all of the other information. (Ref: Para. A52)
22. When the auditor’s report is required to include an Other Information section in accordance with paragraph 21, this section shall include: (Ref: Para. A53)
 - (a) A statement that management is responsible for the other information;
 - (b) An identification of:
 - (i) Other information, if any, obtained by the auditor prior to the date of the auditor’s report; and
 - (ii) For an audit of financial statements of a ~~listed-publicly traded~~ entity, other information, if any, expected to be obtained after the date of the auditor’s report;
 - (c) A statement that the auditor’s opinion does not cover the other information and, accordingly,

that the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;

- (d) A description of the auditor’s responsibilities relating to reading, considering and reporting on other information as required by this ISA; and
- (e) When other information has been obtained prior to the date of the auditor’s report, either:
 - (i) A statement that the auditor has nothing to report; or
 - (ii) If the auditor has concluded that there is an uncorrected material misstatement of the other information, a statement that describes the uncorrected material misstatement of the other information.

...

Application and Other Explanatory Material

...

Obtaining the Other Information (Ref: Para. 13)

...

A12. When the annual report is translated into other languages pursuant to law or regulation (such as may occur when a jurisdiction has more than one official language), or when multiple “annual reports” are prepared under different legislation (for example, when an entity is ~~listed~~ publicly traded in more than one jurisdiction), consideration may need to be given as to whether one, or more than one of the “annual reports” form part of the other information. Local law or regulation may provide further guidance in this respect.

...

Reporting (Ref: Para. 21–24)

A52. For an audit of financial statements of an entity other than a ~~listed~~ publicly traded entity, the auditor may consider that the identification in the auditor’s report of other information that the auditor expects to obtain after the date of the auditor’s report would be appropriate in order to provide additional transparency about the other information that is subject to the auditor’s responsibilities under this ISA. The auditor may consider it appropriate to do so, for example, when management is able to represent to the auditor that such other information will be issued after the date of the auditor’s report.

...

Appendix 2

(Ref: Para. 21-22, A53)

Illustration of Independent Auditor’s Reports Relating to Other Information

- Illustration 1: An auditor’s report of any entity, ~~whether listed or other than listed~~, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has not identified a material misstatement of the other information.
- Illustration 2: An auditor’s report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report,

has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

- Illustration 3: An auditor's report of an entity other than a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- Illustration 4: An auditor's report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- Illustration 5: An auditor's report of any entity, ~~whether listed or other than listed~~, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- Illustration 6: An auditor's report of any entity, ~~whether listed or other than listed~~, containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.
- Illustration 7: An auditor's report of any entity, ~~whether listed or other than listed~~, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the consolidated financial statements also affects the other information.

Illustration 1 – An auditor's report of any entity, ~~whether listed or other than listed~~, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.

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

- **Audit of a complete set of financial statements of any entity, ~~whether listed or other than listed~~, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁵² does not apply).**
- **Key audit matters have been communicated in accordance with ISA 701.⁵³**

INDEPENDENT AUDITOR'S REPORT

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

⁵² ISA 600 (Revised), Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)

⁵³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*. The Key Audit Matters section is required for ~~listed~~ publicly traded entities only.

Report on the Audit of Financial Statements⁵⁴

...

Key Audit Matters⁵⁵

...

Report on Other Legal and Regulatory Requirements

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

[The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.⁵⁶]

...

Illustration 2 – An auditor’s report of a ~~listed~~ publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

INDEPENDENT AUDITOR’S REPORT

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

Report on the Audit of Financial Statements⁵⁷

...

Report on Other Legal and Regulatory Requirements

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

[The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.⁵⁸]

...

⁵⁴ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁵⁵ The Key Audit Matters section is required for ~~listed~~ publicly traded entities only.

⁵⁶ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

⁵⁷ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁵⁸ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 3 – An auditor’s report of an entity other than a ~~listed~~-publicly traded entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor’s report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~-publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 4 – An auditor’s report of a ~~listed~~-publicly traded entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor’s report but expects to obtain other information after the date of the auditor’s report.

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

- **Audit of a complete set of financial statements of a ~~listed~~-publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

Illustration 5 – An auditor’s report of any entity, ~~whether listed or other than listed~~, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and has concluded that a material misstatement of the other information exists.

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

- **Audit of a complete set of financial statements of any entity, ~~whether listed or other than listed~~, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

INDEPENDENT AUDITOR’S REPORT

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

...

Key Audit Matters⁵⁹

...

Auditor’s Responsibilities for the Audit of the Financial Statements

⁵⁹ The Key Audit Matters section is required for ~~listed~~-publicly traded entities only.

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

[The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.⁶⁰]

...

Illustration 6 – An auditor’s report of any entity, ~~whether listed or other than listed~~, containing an qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

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

- **Audit of a complete set of consolidated financial statements of any entity, ~~whether listed or other than listed~~, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

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

...

Key Audit Matters⁶¹

...

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.⁶²]

...

⁶⁰ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of ~~listed-publicly traded~~ entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

⁶¹ The Key Audit Matters section is required for ~~listed-publicly traded~~ entities only.

⁶² The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of ~~listed-publicly traded~~ entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

Illustration 7 – An auditor’s report of any entity, ~~whether listed or other than listed~~, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and the adverse opinion on the consolidated financial statements also affects the other information.

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

- **Audit of a complete set of consolidated financial statements of any entity, ~~whether listed or other than listed~~, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

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

...

Key Audit Matters⁶³

...

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 2 in ISA 700 (Revised).]

[The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.⁶⁴]

...

ISA 800 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

...

Key Audit Matters

⁶³ The Key Audit Matters section is required for ~~listed-publicly traded~~ entities only.

⁶⁴ The name of the engagement partner is included in the auditor’s report for audits of complete sets of general purpose financial statements of ~~listed-publicly traded~~ entities unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat (see ISA 700 (Revised), paragraph 46).

A16. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701⁶⁵ for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities. For audits of special purpose financial statements, ISA 701 only applies when communication of key audit matters in the auditor’s report on the special purpose financial statements is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor’s report on special purpose financial statements, ISA 701 applies in its entirety.⁶⁶

Other Information

A17. ISA 720 (Revised) deals with the auditor’s responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the special purpose financial statements—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial statements—are considered to be annual reports for the purpose of ISA 720 (Revised). In the case of financial statements prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial statements. When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the special purpose financial statements.

Name of the Engagement Partner

A18. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor’s report also applies to audits of special purpose financial statements of ~~listed~~ publicly traded entities.⁶⁷ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor’s report or may otherwise decide to do so when reporting on special purpose financial statements of entities other than ~~listed~~ publicly traded entities.

...

Appendix

(Ref: Para. A13 and A21)

Illustrations of Independent Auditor’s Reports on Special Purpose Financial Statements

- Illustration 1: An auditor’s report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).
- Illustration 2: An auditor’s report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).
- Illustration 3: An auditor’s report on a complete set of financial statements of a ~~listed~~ publicly traded entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

⁶⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

⁶⁶ ISA 700 (Revised), paragraph 31

⁶⁷ See ISA 700 (Revised), paragraphs 46 and A62–A64

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

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

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matters – Basis of Accounting and Restriction on Distribution and Use

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁶⁸

...

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

⁶⁸ 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.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor’s report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor’s responsibilities, rather than including this material in the auditor’s report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor’s responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ...

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

...

Illustration 2: An auditor’s report on a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

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

- **Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist partners in preparing their individual income tax return. Management does not have a choice of financial reporting frameworks.**

...

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matters – Basis of Accounting and Restriction on Distribution

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁶⁹

...

⁶⁹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ...

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

...

Illustration 3: An auditor's report on a complete set of financial statements of a listed-publicly traded entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

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

- **Audit of a complete set of financial statements of a listed-publicly traded entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.**

...

ISA 805 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

...

Key Audit Matters

A20. ISA 700 (Revised) requires the auditor to communicate key audit matters in accordance with ISA 701 for audits of complete sets of general purpose financial statements of ~~listed~~ publicly traded entities.⁷⁰ For audits of a single financial statement or a specific element of a financial statement, ISA 701 only applies when communication of key audit matters in the auditor's report on such financial statements or elements is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ISA 701 applies in its entirety.⁷¹

Other Information

A21. ISA 720 (Revised) deals with the auditor's responsibilities relating to other information. In the context of this ISA, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ISA 720 (Revised). When the auditor determines that the entity plans to issue such a report, the requirements in ISA 720 (Revised) apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

A22. The requirement in ISA 700 (Revised) for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial statements of ~~listed~~ publicly traded entities or specific elements of financial statements of ~~listed~~ publicly traded entities.⁷² The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than ~~listed~~ publicly traded entities.

...

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a ~~listed~~ publicly

⁷⁰ ISA 700 (Revised), paragraph 30

⁷¹ ISA 700 (Revised), paragraph 31

⁷² See ISA 700 (Revised), paragraphs 46 and A62–A64.

traded entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

- Illustration 2: An auditor's report on a single financial statement of an entity other than a ~~listed~~-publicly traded entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: An auditor's report on a specific element of a financial statement of a ~~listed~~-publicly traded entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Illustration 1: An auditor's report on a single financial statement of an entity other than a ~~listed~~ publicly traded entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

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

- **Audit of a balance sheet (that is, a single financial statement) of an entity other than a ~~listed~~ publicly traded entity.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Material Uncertainty Related to Going Concern

...

Responsibilities of Management and Those Charged with Governance for the Financial Statement⁷³

...

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial

⁷³ 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.

statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ...

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

...

Illustration 2: An auditor's report on a single financial statement of an entity other than a listed publicly traded entity prepared in accordance with a special purpose framework.

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

- **Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed publicly traded entity.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matter – Basis of Accounting

...

Responsibilities of Management and Those Charged with Governance for the Financial Statement⁷⁴

...

Auditor's Responsibilities for the Audit of the Financial Statements

⁷⁴ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- ...

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.

...

Illustration 3: An auditor's report on a specific element of a financial statement of a listed publicly traded entity prepared in accordance with a special purpose framework.

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

- **Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).**

...

ISA 810 (REVISED), ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

...

Appendix
(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

...

Illustration 1:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements of a listed publicly traded entity.**

...

International Standards on Auditing, International Standard on Auditing for Audits of Financial Statements of Less Complex Entities, International Standards on Assurance Engagements, International Standards on Review Engagements, International Standards on Related Services, International Standards on Quality Management, International Auditing Practice Notes, Exposure Drafts, Consultation Papers, and other IAASB publications are copyright of IFAC.

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AUASB Agenda Paper

Title:	AUASB Workplan	Date:	19 February 2025
Office of the AUASB:	Anne Waters	Agenda Item:	8

Objective of this Agenda Paper

1. The objective of this agenda item is to update AUASB members on the high level Workplan and provide an opportunity for comment.

Question for AUASB members

No.	Question
1	Do AUASB members have any feedback on the AUASB Workplan (see Agenda Paper xx)?

Background information

2. The items and timing in the Workplan are subject to change as projects progress and to respond to priorities as they arise.

AUASB WORK PROGRAM

Updated February 2025



Australian Government

Auditing and Assurance Standards Board

AUASB WORK PLAN

	AREA	WHAT	TIMING
SUSTAINABILITY ASSURANCE	Planning & resourcing	Detailed implementation support plan, recruitment, etc.	Ongoing
	Guidance & monitoring	FAQs to address identified areas. Guidance for each disclosure area (e.g. scope 1, 2 & 3 emissions) COFR project on value chain data Collaboration with IAASB and other standard setters (e.g. illustrative audit reports).	February 2025 and beyond
	Implementation support and education	Work with AASB, ASIC, accounting bodies and others	February 2025 and beyond
FINANCIAL REPORT ASSURANCE	PIE Track 1	Update standards for 'Public Interest Entity'	February 2025
	Going Concern	Standard to be certified by PIOB, adopted in Australia and implementation	Q1 2025
	Fraud	Standard to be approved by IAASB, adopted in Australia and implementation	Q2 2025
	Audit Evidence & Risk Response	Currently being considered by the IAASB	To be determined
	Technology	Currently being considered by the IAASB	To be determined
	Revised ISRE 2410 (reviews)	IAASB joint project with NZAuASB	2025-6
	Guidance Statements	Review of guidance statements	2025
	GS 002 Registrable Super Entities	Update for new APRA prudential requirements & develop audit report	Q1 2025
	GS 007 Investment Service Organisations	Update	2025-6
BOTH	AASB-related	Amend standards for IFRS name change (AASB 18) Not-for-profit Tier 3 impact on auditors	Late 2025 Q1 2025
	IAASB work plan and projects	Influence (e.g. through IAASB & IESBA Stakeholder Advisory Council)	Ongoing
	Website refresh	Sustainability pages, accessing standards by reporting period, etc	Q2 2025
	Stakeholder engagement	Review plan (including news items)	Q1 2025
RESEARCH	Legislation and reform	Enforceability of firm quality management standards and relevant ethical requirements FRC/AASB/AUASB merger; Treasury consultation on ethics, consulting and audit	Mid 2026
	AUASB Research Program	Collaborate with academics on research relevant to the AUASB's Work Plan	Ongoing

