



Subject:	Agenda for the 166th meeting of the AUASB
Venue:	AUASB Offices, Melbourne
Time:	Tuesday, 14 October 2025, 9:00 am – 4:45 pm

Time	No.	Item	Responsibility
9:00 am	1	Welcome and Chair Update 1.0 Declaration of interests 1.1 Other matters *	Doug Niven
9:10 am	2	Environmental scan	Sheryl Huang
9:30am	3	Exposure Draft – Amendments ASSA 5010 on Sustainability Assurance Phasing: Directors’ Declaration Voluntary early reporting under the Corporations Act	Tim Austin
<i>10:30 am Morning tea</i>			
10:45 am	4	Exposure Draft - ASSA 5000 Corporations Act specific Illustrative Assurance Reports	Tim Austin
11:45 am	5	Amendments to ASSA 5000 re separate auditors for financial and sustainability reports	Jeff Muir
<i>12:45 pm Lunch</i>			
1:45 pm	6	Guidance Statements update (verbal update)	Doug Niven / Jeff Muir
2.05 pm	7	Revised ASA 240 <i>Fraud</i> and amendments to ASA 101 <i>Preamble to AUASB Standards</i>	See Wen Ewe
<i>2:35 pm Afternoon tea</i>			
2:50 pm	8	8.1 AUASB 2025-9: Narrow scope amendments - listed entity definitions ASA 570 <i>Going Concern</i> amendments 8.2 Amendments to other standards from listed entity definitions 8.3 AUASB 2025-8 - Amendments to ASRE 2410 and ASA 101 Preamble	See Wen Ewe
3:50 pm	9	Close *	Doug Niven

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

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



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AUASB DECLARATION OF INTERESTS

As at 14 October 2025

AUASB Meeting 166
Agenda Paper 1.0

AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Doug Niven (Chair)	Fellow, Chartered Accountants Australia and New Zealand	- Chair of the Auditing and Assurance Standards Board, AUASB Statutory Authority and Office of the AUASB - Member, Australia's Financial Reporting Council - Member, New Zealand Auditing and Assurance Standards Board	- Member, IAASB/IESBA Stakeholder Advisory Council - Member, IAASB Jurisdictional Standard Setters Group
Ms Julie Crisp (Deputy Chair)	- Registered Company Auditor - Fellow, Chartered Accountants Australia and New Zealand - Fellow, CPA Australia - Fellow, Governance Institute of Australia - Fellow, Institute of Public Administration Australia - Graduate, Australian Institute of Company Directors - Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal Auditors - Member, Association of Certified Fraud Examiners	- Non-Executive Director, CPA Australia - Member – Performance Statements Audit Expert Advisory Panel, Australian National Audit Office - Former Northern Territory Auditor-General (concluded 12 September 2024)	- Director and Shareholder, Family Trust Company - Director and Shareholder, Asterism Assurance and Advisory Pty Ltd - Board Director and Chair of the Auditing & Risk Committee of Aboriginal Investment NT, a Commonwealth statutory entity regulated by the ACNC - Non-Executive Director, Larrakia Development Corporation - Director, Darwin Hotel Pty Limited - Member, Audit & Risk Committee, Charles Darwin University



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Ms Marilyn Gwan	Fellow, Chartered Accountants Australia and New Zealand	Partner, Grant Thornton Australia	- Member of Australian Institute of Company Directors Reporting Committee - Member of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working Group - Member of the Australian Accounting and Assurance Public Policy Committee – ESG Working Group - Director and Shareholder, Family Trust Company(s) - Trustee – personal family trusts
Mr Klynton Hankin	Member, Chartered Accountants Australia and New Zealand	Partner, PricewaterhouseCoopers	Member, Finance, Risk and Audit Committee - Cancer Council Australia
Dr Noel Harding	Member, CPA Australia	Professor and Head of School of Accounting, Auditing and Taxation, UNSW Sydney	- Editor, International Journal of Auditing - Deputy Editor, Accounting and Finance - Co-chair of AFAANZ Auditing and Assurance Standards Committee
Mr Terence L Jeyaretnam	- Degree in Environmental Engineering (UWA) - Chartered Professional Engineer - Fellow and Engineering Executive of the Institute of Engineers, Australia	- Director, Foresight Consulting Group Pty Ltd - Clean Energy Regulator Accredited Category 2 Auditor - Associate Professor of Practice at Monash University's Department of Accounting, Faculty of Business and Economics - Formerly APAC Leader and Partner, Climate Change and Sustainability Services, Ernst & Young in Melbourne	- Board member, Australian Conservation Foundation - Chair, Amnesty International Australia - Chair, Global Citizen, Australia
Ms Joanne Lonergan	Member, Chartered Accountants Australia and New Zealand	Partner, Ernst & Young	Director & Shareholder, Family Trust Company



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Graeme Pinfold	Fellow, Chartered Accountants Australia and New Zealand	Chair, New Zealand Auditing and Assurance Standards Board	- Board Member and Treasurer, Okawa Rotoiti Timeshare Owners Association - Chair, Sustaining the Audit Profession Working Group - Director, The Auckland Theatre Company
Mr Andrew Porter	- Fellow, Institute of Chartered Accountants in England and Wales - Member, Australian Institute of Company Directors - Fellow, Chartered Accountants Australia and New Zealand	- Chief Financial Officer, Australian Foundation Investment Company Limited - CFO for Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited	- Director of Australian Investment Company Services Ltd. - Director of a Family Trust Company - Director of the Melbourne Anglican Foundation and trustee of related entities
Ms Jennifer Travers	Member, Chartered Accountants in Australia and New Zealand	Partner, KPMG	- Chair of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working Group - Member of the Australian Accounting and Assurance Public Policy Committee – ESG Working Group - Chair of the Trans-Tasman Audit and Advisory Committee (CA ANZ) - Director and Shareholder, Family Trust Company(s) - Trustee, personal family trusts
Mr Jason Thorne	- Fellow, Institute of Chartered Accountants in England and Wales - Member, Chartered Accountants in Australia and New Zealand - Registered Company Auditor	Partner, Deloitte Touche Tohmatsu	Director and Shareholder, family trust company
Mr Chi Mun Woo	- Member, Chartered Accountants Australia and New Zealand - Member, Institute of Chartered Accountants in England and Wales	Partner, Climate and Sustainability practice, Deloitte	-

AUASB Agenda Paper

Title:	Environmental Scan – July 2025 to September 2025	Date:	14 October 2025
Office of the AUASB:	Sheryl Huang	Agenda Item:	2.0

Objective of this agenda paper

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

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

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

Australia

Australian Accounting Standards Board (AASB)

- jointly with AUASB and CA ANZ, published an independent **research report** on climate-related disclosures and assurance in the 2023 and 2024 annual reports of ASX-listed entities.
- published **educational material** to assist understanding of the greenhouse gas (GHG) emissions disclosures under AASB S2 *Climate-related Disclosures* Based on ISSB materials.
- published **education material** on the proportionality mechanisms in AASB S2 based on ISSB materials.
- published **research report** on cash flow statement and related matters, using evidence from ASX 50.
- issued **AASB 2025-3** to add disclosure requirements to AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* for Tier 2 entities that recognise nature-dependent electricity contracts meeting the ‘own-use’ criteria as procurement contracts. Applies from annual periods beginning on or after 1/1/26, with early adoption permitted.

Australian Professional Ethics Standards Board (APESB)

- approved adoption of IESBA changes to the Code on new ethical and independence requirements for sustainability reporting and assurance.

Chartered Accountants Australia and New Zealand (CA ANZ)

- with ACCA, released **guide** ‘A case study: Demystifying materiality in accordance with ISSA 5000’.
- with UN Global Company Network Australia and the ASX launched the Sustainability Reporting Community of Practice (SRCoP).

CPA Australia

- published **AI Governance in the Public Sector**, which shows that generative AI tools are widely used in government departments and agencies, but sound governance protocols are often lacking or employees are unaware of them.

Australian Institute of Company Directors (AICD)

- published **guide**, *Governing for net zero: The board's role in organisational transition planning*.
- published **article** *Mandatory climate reporting: Navigating governance risks in Australia's first wave*.

Australian Securities & Investments Commission (ASIC)

- published **FAQs** on sustainability review and auditing requirements under the *Corporations Act 2001*.
- released an **ASIC enforcement and regulatory update** for 1 January to 30 June 2025.
- released a **keynote** on AI adoption and digital transformation, highlighting risks and opportunities in the use of AI.
- published a new **Reporting and audit update**. The first issue includes articles on:
 - Voluntary climate-related disclosures reviewed;
 - Register of sustainability reporting relief decisions;
 - Education materials to support sustainability reports;
 - ASIC intervenes in misleading sustainability-related claims and conduct; and
 - Financial reporting and audit surveillance update.

- issued revised **Regulatory Guide 34 Auditor obligations: Reporting to ASIC**.
- released **REP 816 Accounting for your super: ASIC's review into the financial reporting and audit of super funds**, with findings from surveillance of registrable superannuation entity (RSE) financial reports and audits for 2024–25.

International

Association of Chartered Certified Accountants (ACCA)

- released policy and insights reports, including:
 - **Reality of accounting for carbon-related instruments**;
 - **Sustainability Reporting in ASEAN**;
 - **A case study: Demystifying materiality in accordance with ISSA 5000** (see CA ANZ above); and
 - **AI assessments: Enhancing confidence in the use of AI**.

International Auditing and Assurance Standards Board (IAASB)

- revised **ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements** was approved in September 2025 and is effective from periods beginning 15/12/26.
- established **ISSA 5000 Technical Implementation Contact Group (TICG)**.
- released **Narrow scope amendments** to the ISQMs, ISAs and ISRE 2400 (Revised) from the listed entity and public interest entity Track 2 project. Effective for periods beginning on or after 15/12/26.
- approved a project proposal to **revise ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity**.
- conducted a technology gap analysis and published a **Catalog of Issues and Possible Actions**.
- released **How the IAASB's Revised Going Concern and Fraud Standards Reinforce Professional Skepticism**.
- released two ISSA 5000 resources:
 - **Extracts from ISSA 5000 for Limited and Reasonable Assurance Engagements**
 - **FAQ Document on ISAE 3000 (Revised) and ISAE 3410**
- hosted a webinar series to assist in adopting ISSA 5000:
 - Webinar 1: Foundational Principles and Concepts
 - Webinar 2: Engagement Planning, Risk Assessment & Response
 - Webinar 3: Concluding and Reporting on Sustainability Assurance Engagements
- published **2025 Handbook** of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements.

International Ethics Standards Board for Accountants (IESBA)

- published **Firm Culture and Governance: Summary of Feedback from Global Roundtables** with insights from six global roundtables held in 2025.
- established **IESSA (International Standards for Sustainability Assurance) Implementation Monitoring Advisory Group (IIMAG)**.
- launched explainers videos:
 - **Introduction to the global ethics sustainability standards**;
 - **Ethics in sustainability reporting**; and
 - **IESSA and ethics in sustainability assurance**.
- released:
 - **Key Differences** Between IESSA and Parts 1 to 4A of the Code;
 - **List of Prohibitions for PIEs in IESSA**;
 - **Questions and Answers on Using the Work of an External Expert**; and
 - **Proportionality of the IESSA**.
- issued **Staff Alert** on key ethical matters for firms when considering private equity investment.

International Accounting Standards Board (IASB)

- issued **revised Practice Statement** on management commentary.
- issued **amendments to IFRS 19** on *Subsidiaries without Public Accountability Disclosures*.
- published **near-final examples** on improving the reporting of uncertainties in financial statements using climate-related examples as practical illustrations.
- published updated **educational material** to support the consistent application of IFRS Accounting Standards for going concern assessments.

International Sustainability Standards Board (ISSB)

- issued two Exposure Drafts - **amendments to the SASB Standards** and consequential **amendments to the Industry-based Guidance on Implementing IFRS S2**. Comments close 30/11/25.
- issued **educational material** on the SASB Standards and other Industry-based Guidance for S2.

- issued **educational material** on disclosures on anticipated financial effects of climate-related risks and opportunities.
- Issued **guidance document** *Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2*.
- launched a **page** summarising ongoing and completed jurisdictional consultations on sustainability-related disclosures since publication of the ISSB's inaugural Standards in June 2023.

International Public Sector Accounting Standards Board (IPSASB)

- issued **Amendments to IPSAS Standards as a Result of the Application of IPSAS 46, Measurement**. This amendment is effective from 1/1/28, with early adoption permitted.
- published **Biennial Review** on IPSASB's activities in 2023 and 2024 and its 2024-2028 Strategy and Work Program.

International Federation of Accountants (IFAC)

- with Chartered Institute of Public Finance and Accountancy (CIPFA) and International Public Sector Accounting Standards Board (IPSASB) published **International Public Sector Financial Accountability Index 2025 Status Report** on financial reporting bases and frameworks used by governments around the world. The report highlights the continuing move from cash to accrual-based accounting.
- with IPSASB published **tools** to help governments and public sector entities adopt and implement International Public Sector Accounting Standards (IPSAS).

United States

Public Company Accounting Oversight Board (PCAOB)

- issued **Investor Bulletin** on the importance of auditor professional responsibilities and ethics.
- launched a Smaller Firm Resource Group to gather feedback specific to smaller firms.
- published an **Annual Report on the Interim Inspection Program Related to Audits of Brokers and Dealers**.
- published new **inspection reports** and additional portions of previously issued inspection reports.

New Zealand

External Reporting Board (XRB)

- issued Exposure Drafts for two new proposed standards **PBE IPSAS 50 Exploration for and Evaluation of Mineral Resources** and **PBE IPSAS 12 Inventories** regarding accounting for stripping costs in the production phase of a surface mine. Comments closed 30/9/25.
- issued Exposure Drafts for two new proposed standards **PBE IPSAS 47 Revenue** and **PBE IPSAS 48 Transfer Expenses**. Comments close 1/12/25.
- issued **Exposure Draft** and **Consultation Document** on proposed narrow-scope amendments and improvements to PBE Standards, based on IFRIC interpretations. Comments close 1/12/25.

United Kingdom

Financial Reporting Council (UK FRC)

- published its **Annual Review of Audit Quality**, covering inspection and supervision results of audit firms across the UK Public Interest Entity market.
- published a podcast '**In Conversation: What's the difference between statutory audit and assurance?**'.
- published **discussion paper** on its *Future of Audit Supervision Strategy*. Comments closed 30/9/25.

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

- published its **Audit Monitoring Report 2025**.
- launched an on **e-learning programme** on generative Artificial Intelligence (GenAI).

UK Government

- outlined three potential quality assurance models for the third party AI assurance market as part of its **new roadmap** for developing the AI assurance sector.

Sustainability reporting and assurance developments (other than Australia and international standard setters)

The table below provides an overview of developments in major jurisdictions on sustainability reporting and assurance since the previous environmental scan to June 2025. This list is not exhaustive.

No.	Region	Jurisdiction	Reporting developments	Assurance developments
1	Europe	Europe	- Adopted a Delegated Act amending the Taxonomy Disclosures, Climate and Environmental Delegated Acts to simplify application of the EU taxonomy. Apply as of 1/1/26 and covers the 2025 financial year. The measures can be applied from the 2026 financial year. - Made targeted “quick fix” amendments to European Sustainability Reporting Standards (ESRS). Companies that started reporting for 2024 will not be required to report additional information compared to 2024. For financial years 2025 and 2026, such companies with more than 750 employees will have most of the phase-in provisions that currently apply to companies with up to 750 employees. - EFRAG issued Exposure Draft amending European Sustainability Reporting Standards (ESRS) Set 1. Comments closed 29/9/25.	No changes.
2	United Kingdom	United Kingdom	- UK Govt consulted on the following (comments closed 17/9/25): Exposure Drafts of Sustainability Reporting Standards (SRS). Transition plan requirements: Implementation routes. Oversight regime for assurance of sustainability-related financial disclosures. - The ICAEW published guidance on connecting sustainability and financial information, disclosure and performance.	No changes.
3	North America	US	On 4/9/25 the SEC Chairman expressed concerns on compatibility of IFRS sustainability and climate requirements with US accounting standards, and suggested requiring overseas companies using IFRS to include a GAAP reconciliation for US filings (see Keynote Address at the Inaugural OECD Roundtable on Global Financial Markets).	No changes.
		Canada	The Canadian Sustainability Standards Board (CSSB) released a Guide on Adopting a Climate-first Approach in Sustainability Reporting to support compliance with Canadian Sustainability Disclosure Standards (CSDS) 1 and 2 when using the transition relief and disclosing information on climate-related risks and opportunities only, in accordance with CSDS 2.	No changes.
		Mexico	Mandated ISSB S1 and S2 beginning on or after 1/1/25.	Mandatory external assurance using ISSA 5000 from periods beginning 15/12/26 or as at a specific date on or after 15/12/26.

No.	Region	Jurisdiction	Reporting developments	Assurance developments
4	Asia-Pacific	New Zealand	• Request for information on international alignment of climate reporting. Comments closed on 13/6/25. • Issued Consultation Paper on proposals to extend reporting and assurance of scope 3 emissions and reporting of anticipated financial impacts by two further reporting periods. Comments closed 24/9/25. • Issued Consultation Paper on whether to make the international sustainability assurance standards and the sustainability and experts ethical standards available for use in New Zealand. Comments close 10/10/25.	• No changes.
		China	• Issued an Exposure Draft on the Chinese version of ISSB S1. It expects to have full implementation by 2027. Comments closed 31/5/25.	• No decision has been made.
		Hong Kong	• No changes.	• Issued Hong Kong version of ISSA 5000, HKSSA 5000, for use on a voluntary basis.
		Indonesia	• Issued Exposure Draft of Indonesian version of IFRS S1 and S2: PSPK 1 and PSPK 2. The implementation of both PSPK 1 and PSPK 2 are expected to become effective on January 1, 2027, with early adoption permitted. Comments closed 31/3/25.	• No decision has been made.

List of organisations monitored for developments

International Standard Setting Bodies

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

International Regulatory Organisations

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

International Professional Bodies

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

Australia

Accounting Professional & Ethical Standards Board (APESB)
Australian Accounting Standards Board (AASB)
Australian Institute of Company Directors (AICD)
Australian Securities & Investments Commission (ASIC)
Largest 6 Audit Firms (Deloitte, EY, KPMG, PwC, Grant Thornton and BDO)
Chartered Accountants Australia and New Zealand (CA ANZ)
CPA Australia
Clean Energy Regulator (CER)
Parliamentary Joint Committee (PJC) on Corporations and Financial Services

The Treasury

New Zealand

External Reporting Board (XRB)

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Europe

Committee of European Auditing Oversight Bodies (CEAOB)

The European Commission

United Kingdom

Financial Reporting Council (FRC)

Institute of Chartered Accountants in England and Wales (ICAEW)

United States

US Securities and Exchange Commission (SEC)

Public Company Accounting Oversight Board (PCAOB)

American Institute of Certified Public Accountants (AICPA)

Chartered Institute of Management Accountants (CIMA)

Centre for Audit Quality (CAQ)

Canada

Canadian Public Accountability Board (CPAB)

Canadian Auditing and Assurance Standards Board (AASB)

Canadian Sustainability Standards Board (CSSB)

Singapore

Accounting and Corporate Regulatory Authority (ACRA)

Singapore Exchange (SGX)

Institute of Singapore Chartered Accountants (ISCA)

Japan

Sustainability Standards Board of Japan (SSBJ)



AUASB Agenda Paper

Title:	Proposed ED 02/25 – Amendments to ASSA 5010	Date:	14 October 2025
Office of the AUASB:	Tim Austin	Agenda Item:	3.0

Objectives of this Agenda Item

1. The objectives of this Agenda Item are to:
 - (a) Seek AUASB Member feedback on ED 02/25 on proposed amendments to ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (the Act), in relation to;
 - (i) when the directors' declaration should be subject to assurance for years commencing 1 January 2026 to 31 December 2027; and
 - (ii) proposed changes to the Act under the *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025* to clarify and extend the limited immunity provisions in s1707D of the Act to sustainability reports not required to be prepared by the Act where certain conditions are met.
 - (b) Seek AUASB member approval of ED 02/25 for issue.

Questions for AUASB Members

No.	Question
1	Do AUASB Members have any feedback on the proposed ED 02/25 in Agenda Item 3.1?
2	Do AUASB Members approve ED 02/25 for issue for a 30 day comment period?

Background and Previous Discussions on Topic

2. At its meeting on 16 December 2024, AUASB members agreed that:
 - (a) In Year 1, as only some disclosures would be subject to assurance, ASSA 5010 does not require the directors' declaration to be subject to assurance.
 - (b) The directors' declaration would be subject to assurance when all disclosures are subject to assurance, including for the period where the directors' declaration is only required to state whether, in the directors' opinion, the entity has taken reasonable steps to ensure that the sustainability report complies with the Act.
3. Subsequently an AUASB member raised questions as to whether the directors' declaration was in scope of the auditor's review, as the directors' declaration is not a disclosure and therefore not caught by paragraph 10. There were also questions on whether it was appropriate to include the directors' declaration in the scope of a review (limited assurance engagement) and the ability of the practitioner/auditor to obtain limited assurance over 'reasonable steps' taken by the directors which is the modified directors' opinion for financial years commencing between 1 January 2025 and 31 December 2027.

AUASB Agenda Paper

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4. At its 9 July 2025 Meeting (Mtg 162) AUASB members discussed and agreed to issue an exposure draft to consult on:
 - (a) Proposed amendments to ASSA 5010 to clarify that the directors' declaration is subject to assurance when all disclosures are subject to assurance (ie. years 2 onwards); and
 - (b) Whether or not they agree with the AUASB's position that the directors' declaration should be covered by the auditor's report during the transitional period where the directors' opinion is only required to state that the directors took reasonable steps.
 5. At its July 2025 meeting the AUASB also discussed proposed legislation (exposed for comment in January 2025 as [Treasury Laws Amendments Bill 2025: Miscellaneous and technical amendments \(Autumn 2025\)](#)) which would extend the modified liability settings for directors and auditors to 'voluntary sustainability reports' – a sustainability report not required to be prepared by s292A of the Act (i.e. a Group 1, 2 or 3 entity elects to report early or a Corporations Act entity who does not meet the definition of Group 1, 2 or 3 chooses to prepare a sustainability report).
 6. The AUASB agreed to issue an exposure draft to propose amendments to ASSA 5010 to respond to the changes proposed in the Treasury Law Amendments Bill but it was agreed to wait until the legislation was introduced to Parliament before issuing an exposure draft. The AUASB also commented that when going out on consultation for this matter that the ED acknowledges that the legislation has only been introduced and not passed but it is important for the AUASB to act promptly on this matter.
 7. On 4 September 2025, the proposed amendments were introduced to Parliament in Schedule 4 – Minor and technical amendments of the [Treasury Laws Amendment \(Strengthening Financial Systems and Other Measures\) Bill 2025](#). The amendments include s1707DA(5) to clarify that the modified liability settings for reports not required to be prepared by s292A.
 8. Further background information appears in the Explanatory Memorandum to the draft ED 02/25 in Agenda Paper 3.1.
 9. As decided at the 10 July 2025 meeting, the draft ED 02/25 in Agenda Paper 3.1 proposes amendments to ASSA 5010 to:
 - (a) Clarify when the directors' declaration is subject to assurance; and
 - (b) Operationalise the amendments proposed in *Treasury Laws Amendment (Strengthening Financial Systems and Other Measures) Bill 2025*.
 10. As decided at the 10 July 2025 AUASB meeting, ED 02/25 proposes to clarify how the assurance phasing in ASSA 5010 applies to 'voluntary sustainability reports' as they are not captured by the 'Years of Reporting' definitions in paragraph 9 of ASSA 5010. This is because the 'Years of Reporting' definitions which drive the phasing of assurance in ASSA 5010 are based on the financial years of Group 1, 2 or 3 entities. 'Voluntary sustainability reports' are prepared by entities who are:
 - (a) A Corporations Act entity that is not a Group 1, 2 or 3 entity; or
 - (b) A Corporations Act Group 1, 2 or 3 entity reporting ahead of their first required financial year.
 11. There are no relevant changes in Bill before parliament compared to draft considered by Board at 10 July 2025 meeting.

AUASB Agenda Paper

Matters for Discussion

12. The operative date of the amendments proposed in the exposure draft is 1 January 2025 to 30 June 2030 which aligns with the operative date of ASSA 5010. Whilst the directors' declaration matter is largely a year two onwards issue, the other proposed amendments may impact on entities who are reporting from 1 January 2025.
13. The *Legislation Act 2003* which deals with the commencement, interpretation, and drafting standards for legislative instruments and notifiable instruments allows for retrospective commencement of a legislative instrument but prevents the provision from applying if a person who is impacted by the instrument would be disadvantaged or have liabilities imposed.

Next Steps

Proposed comment period

14. The [AUASB's Due Process Framework](#) paragraph 163 states that the comment period is typically 90 days however does allow shorter periods if the matter is not complex or narrow scope and urgent. The comment period is never less than 30 days. The Office of the AUASB is of the view that the proposed amendments are not complex and clarity is required before the end of the year, and therefore recommends a 30 day comment period to allow this matter to be considered at the 2 December 2025 meeting.

Materials Presented

Agenda Item	Description
3.1	Proposed ED 02-25

EXPOSURE DRAFT

ED 02/25
(October 2025)

Proposed Australian Standard on Sustainability Assurance ASSA 2025-10 *Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*

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



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **XX XXXX 2025**.
Comments should be addressed to:

The Chair
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Projects-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (auasb.gov.au/projects/Open-for-comment) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

Contact Details

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ISSN 1030-603X

PREFACE

Reasons for Issuing ED 02/2025

The AUASB issues exposure draft ED 02/2025 of proposed Standard ASSA 2025-10 *Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*.

The AUASB is an independent non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*.

Proposals

This proposed standard would amend ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* to:

- (a) clarify that the directors' declaration which forms part of a sustainability report as defined by the *Corporations Act 2001* (the Act) is required to be subject to audit or review for years commencing 1 July 2026 to 31 December 2027; and
- (b) specify how the phasing in of assurance would apply if the amendments to the Act proposed by the [Treasury Laws Amendments \(Strengthening Financial Systems and Other Measures\) Bill 2025](#) on voluntary sustainability reporting under the Act are enacted.

Proposed Operative Date

It is proposed that ASSA 2025-10 have the same operative dates as ASSA 5010, being financial years commencing from 1 January 2025 to 30 June 2030.

Request for Comments

Comments are invited on this Exposure Draft ED 02/2025 by no later than **XX**.

Important Note and Disclaimer

This Exposure Draft, in itself, does not establish or extend the requirements under existing AUASB Standards and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors are required to comply when conducting an audit. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

EXPLANATORY MEMORANDUM

Overview

1. The purpose of this Exposure Draft is to obtain feedback from stakeholders on the AUASB's proposed amendments to ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010) to clarify:
 - (a) clarify that the directors' declaration which forms part of a sustainability report as defined by the *Corporations Act 2001* (the Act) is required to be subject to audit or review for years commencing 1 July 2026 to 31 December 2027; and
 - (b) specify how the phasing in of assurance would apply if the amendments to the Act proposed by the [Treasury Laws Amendments \(Strengthening Financial Systems and Other Measures\) Bill 2025](#) (the Bill) on voluntary sustainability reporting under the Act are enacted.

Background

Phasing in of assurance

2. Paragraph 10 of ASSA 5010 outlines the required phasing in of assurance for Group 1, 2 and 3 entities. This phasing in is illustrated diagrammatically in the Appendix to ASSA 5050 as follows:

Years commencing	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6
Group 1	1/1/25 to 30/6/26	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31
Group 2	1/7/26 to 30/6/27	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32
Group 3	1/7/27 to 30/6/28	1/7/28 to 30/6/29	1/7/29 to 30/6/30	1/7/30 to 30/6/31	1/7/31 to 30/6/32	1/7/32 to 30/6/33
Governance	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Risks and opportunities (AASB S2 subparas 9(a), 10(a) and 10(b))	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Strategy – Risks and opportunities	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Climate resilience assessments / Scenario analysis	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Transition plans	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Risk management	None	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 1 and 2 emissions	Limited	Limited	Limited	Reasonable	Reasonable	Reasonable
Scope 3 emissions	N/A	Limited	Limited	Reasonable	Reasonable	Reasonable
Other climate-related metrics and targets	None	Limited	Limited	Reasonable	Reasonable	Reasonable

Notes:

1. Group 1 entities with years commencing 1/1 to 30/6 will be subject to the Year 1 provisions twice (e.g. years commencing 1/1/25 and 1/1/26). Reporting of Scope 3 emissions is required for years commencing on or after 1/1/26 Group 1 entities.
2. For years commencing of or after from 1/7/30 the Act requires reasonable assurance for all mandatory climate disclosures.
3. The phasing for assurance on statements that there are no material climate-related risks and opportunities is the same as for 'Strategy – Risks and Opportunities'.

Directors' declaration

3. The directors' declaration that forms part of the contents of an annual sustainability report (s296A) is subject to assurance in accordance with s301A of the Act.
4. For the financial years commencing on or after 1 January 2028, the directors' declaration in the sustainability report must state whether, in the directors' opinion, the disclosures in the sustainability report are in accordance with the Act.

Proposed Standard on Sustainability Assurance ASSA 2025-10
Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001 to clarify the scope of the audit and/or review

5. Under s1707C of the Act, the directors' declaration in the sustainability report for financial years commencing from 1 January 2025 to 31 December 2027 is only required to state whether, in the directors' opinion, the entity has taken reasonable steps to ensure that the sustainability report complies with the Act. ASSA 5010 does not require assurance over the directors' declaration for Year 1 (i.e. assurance may be first required for Group 1 entities from years commencing 1 July 2026).
8. The AUASB has received questions on whether the directors' declaration:
 - (a) is subject to assurance under ASSA 5010 in Years 2 and 3 because ASSA 5010 only requires assurance over 'disclosures' in the sustainability report and the directors' declaration might not be a 'disclosure'; and
 - (b) should be subject to assurance during the for years commencing 1 July 2026 to 31 December 2027 when the directors are only required to state that the entity has taken reasonable steps to ensure the sustainability report is in accordance with the Act. Some are concerned that the auditor will need to undertake additional work to evaluate whether the entity has taken reasonable steps.
9. This exposure draft seeks stakeholder feedback on:
 - (a) proposed changes to ASSA 5010 to clarify that the directors' declaration is subject to assurance in Years 2 and 3; and
 - (b) whether there are any significant impediments to an auditor being able to provide assurance over the directors' declaration for Years 2 and 3 where the financial year also commences from 1 July 2026 to 31 December 2027.
10. Some possible considerations as to whether the auditors' report included the directors' declaration should be subject to assurance in Years 2 and 3 where the financial year commences from 1 July 2026 to 31 December 2027 are outlined in the table below.

In support of the auditor covering the Directors' Declaration	Against the auditor covering the Directors' Declaration
The legislation requires the auditor to cover the directors' declaration on an ongoing basis.	The auditor directly covers compliance with the Act in the sustainability report. Covering the opinion in the directors' declaration on compliance may not add anything in this regard.
Only limited assurance is required. The auditor is required by ASSA 5000 to obtain an understanding of the components of the system of internal control relevant to the preparation of the sustainability report. This will assist in forming their review conclusion as to whether they have reasons to believe that the entity has not taken reasonable steps. The auditor also provides limited assurance over governance processes, and the controls and procedures an entity uses to monitor, manage and oversee climate-related risks and opportunities.	Additional effort may be required by the auditor to identify and assess how the directors satisfied themselves that the entity took 'reasonable steps' and to perform work on the performance of those steps by the entity.

Voluntary reporting

11. The [Treasury Laws Amendment \(Strengthening Financial Systems and Other Measures\) Bill 2025](#) (the Bill) currently before Parliament proposes amendments to the Act to allow voluntary sustainability reporting to be made under the Act, which may enable use of the

modified liability regime by directors and auditors (proposed s1707DA in Schedule 4 of the Bill).

12. At its 10 July 2025 meeting, the AUASB decided that an exposure draft should be issued on the possible approach to assurance phasing after the Bill was introduced into Parliament, which occurred on 4 September 2025. Because the Bill can apply for years commencing 1 January 2025, it is important that the AUASB is in a position to amend ASSA 5010 that provide certainty on how the assurance phasing applies, as soon as possible after any legislation is enacted.

Request for comments

13. The AUASB requests comments on the matters covered in ED 02/25, but specifically on the questions in the 'Exposure draft questions' section below. In this regard:
- (a) Comments should be sufficiently detailed and include whether or not stakeholders agree with the proposed amendments.
 - (b) Stakeholders may address only specific questions relevant to them or raise matters not specifically addressed by a question.
 - (c) The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed amending standards.
 - (d) Comments will be most helpful when they refer to specific paragraphs, include the reasons for the comments and, when appropriate, make specific suggestions for any proposed changes to wording.

Exposure draft questions

14. The AUASB is seeking comments from stakeholders on the following questions (please include reasons supporting your responses to the questions):

Directors' declaration

1. Do you agree that the directors' declaration should be subject to assurance for years commencing 1 July 2026 to 31 December 2027?
2. Are any significant impediments to the auditor being able to obtain sufficient appropriate evidence that the entity has taken 'reasonable steps' to ensure that the sustainability report complies with the Act?

Voluntary reporting

3. Do you agree with the proposed amendments to clarify how the phasing in of assurance applies to entities that choose to comply with the sustainability report requirements voluntarily under the Act voluntarily should the Bill be enacted.

**PROPOSED AUSTRALIAN STANDARD ON SUSTAINABILITY
ASSURANCE ASSA 2025-10 AMENDMENTS TO ASSA 5010 TIMELINE
FOR AUDITS AND REVIEWS OF INFORMATION IN SUSTAINABILITY
REPORTS UNDER THE CORPORATIONS ACT 2001 TO CLARIFY THE
SCOPE OF THE AUDIT AND/OR REVIEW**

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CONFORMITY WITH INTERNATIONAL SUSTAINABILITY ASSURANCE STANDARDS

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA 2025-10 *Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* pursuant to section 227B(1)(a) of the *Australian Securities and Investments Commission Act 2001* and subsection 1707E(2) of the *Corporations Act 2001* (the Act) for the purposes of s336 of the Act.

Conformity with International Sustainability Assurance Standards

This ASSA amends ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* which specifies the extent and timing of audits and reviews of information in sustainability reports as required by Australian legislation. There are no equivalent standards issued by the International Auditing and Assurance Standards Board (IAASB).

Draft

AUSTRALIAN STANDARD ON SUSTAINABILITY ASSURANCE ASSA 2025-10

Amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001

Application

1. This standard applies to assurance engagements on sustainability information in a sustainability report for a financial year under Chapter 2M of the *Corporations Act 2001* (the Act).

Operative Date

2. This standard is operative for financial years commencing from 1 January 2025 to 30 June 2030.

Introduction

3. This standard amends ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010).

Objective

4. The objective of this standard is to amend ASSA 5010.

Definitions

5. For the purposes of this standard, the meanings of terms are set out in each ASSA and in the *AUASB Glossary*. This standard does not introduce new definitions.

Amendments to ASSA 5010

6. This standard uses underlining, striking out and other typographical material to identify the amendments to ASSA 5010. However, the amendments made by this standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined.
7. Existing paragraphs 9(c) to (e) are amended to read as follows:
 - (c) Group 1 entities – in this standard, entities to which paragraph 1707B(1)(a) of the Act applies, and entities that apply paragraph 1707DA(1) of the Act for the first time for a year commencing on or after 1 January 2025 but on or before 30 June 2026.
 - (d) Group 2 entities – in this standard, entities to which paragraph 1707B(1)(b) of the Act applies, and entities that apply paragraph 1707DA(1) of the Act for the first time for a year commencing on or after 1 July 2026 but on or before 30 June 2027.
 - (e) Group 3 entities – in this standard, entities to which paragraph 1707B(1)(c) of the Act applies, and entities that apply paragraph 1707DA(1) of the Act for the first time for a year commencing on or after 1 July 2027 but on or before 31 December 2027.
8. Existing paragraphs 10(b) and (c) are amended to read as follows:
 - (b) For the Second and Third Years of Reporting, the auditor shall conduct a review of all information disclosures in the sustainability report (including related general disclosures in Appendix D to AASB S2 and the directors' declaration).
 - (c) From the Fourth Year of Reporting onwards the auditor shall conduct an audit over all information disclosures in the sustainability report (including the directors' declaration).



AUASB Agenda Paper

Title:	Corporations Act Illustrative Sustainability Assurance Reports	Date:	14 October 2025
Office of the AUASB:	Tim Austin / Doug Niven	Agenda Item:	4.0

Objective of Agenda Item

1. The objective of this agenda item is to obtain AUASB member feedback on, and approval to, issue ED 03/25 on Corporations Act specific illustrative auditor's reports for a 30-day comment period.

Questions for AUASB members

No.	Question
1.	Do AUASB members consider that the draft ED 03/25 adequately explains the alternatives on matters such as whether to follow Corporations Act wording for conclusions/opinions without also following ASSA 5000 requirements?
2.	Do AUASB members agree with consulting on possible changes to the requirements for the auditor's conclusion/opinion in paragraph 190 of ASSA 5000 that may be inconsistent with the Act?
3.	Do AUASB members agree that the auditor should not need to consider fair presentation in Year 1 when only some disclosures in the sustainability report are subject to assurance?
4.	Do AUASB members agree with the proposal to include the Corporations Act illustrative assurance reports in a new appendix to ASSA 5000?
5.	Do AUASB members have any feedback on the draft ED 03/25?
6.	Do AUASB members approve ED 03/25 for issue with a 30-day comment period, subject to minor editorial changes?

Background

2. Appendix 3 to ASSA 5000 *General Requirements for Sustainability Assurance* includes four illustrative reports in Appendix 3 which are reporting framework neutral. The IAASB staff are also currently finalising additional illustrative reports which are reporting framework specific (including under ISSB standards).
3. Draft ED 03/25 in Agenda Paper 4.1 covers some key matters affecting sustainability assurance reports under the *Corporations Act 2001* (the Act), as well as the proposal to add the following Act specific illustrative assurance reports to a new Appendix 4 to ASSA 5000:
 - (a) Illustration 1 – Year 1 – Review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework) (i.e., Mandatory reporting and assurance under the *Corporations Act 2001*)
 - (b) Illustration 2 – Year 1 – Review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* and other selected sustainability metrics (compliance framework) (i.e., voluntary reporting and assurance).
 - (c) Illustration 3 – Year 1 – Audit and review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework) (i.e. mandatory reporting and a combination of mandatory and voluntary assurance).

- (d) Illustration 4 – Years 2 and 3 – Review report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework) (i. e., Mandatory reporting and assurance under the *Corporations Act 2001*.
 - (e) Illustration 5 – Years 4 – Audit report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework).
4. The above reports will form a foundation for development of further illustrative reports to cover scenarios such as a combination of mandatory and voluntary assurance. the IAASB is likely to issue illustrative reports that would cover similar scenarios.
 5. The Office of the AUASB provided a table of matters to be discussed on assurance reports and a draft illustrative Year 1 report to the Australian Accounting and Assurance Public Policy Committee (AAA-PPC) ESG Working Group for feedback. Their feedback was taken into account in developing the draft ED 03/25. The AAA-PPC ESG Working Group includes representatives from the largest six audit firms, CA ANZ and CPA Australia.

Matters for Discussion

6. The key matters are outlined in the Explanatory Memorandum to the draft ED 03/35 (Agenda Paper 4.1).
7. The illustrative reports in the draft ED 03/25 show how the conclusions/opinions required by the Corporations Act can be accompanied by separate paragraphs covering the matters required by paragraph 90 of ASSA 5000. Feedback provided from the AAA-PPC ESG Working Group was that the wording of the conclusions/opinions in the Act and ASSA 5000 should be combined as illustrated in paragraphs 14 and 18 of the Explanatory Memorandum to the draft ED 03/25.
8. Proposed Illustration 2 in draft ED 03/25 contains two review conclusions as the entity's sustainability report contains mandatory reporting in accordance with the Act and voluntary reporting in accordance with entity developed criteria. The conclusion over the mandatory reporting in accordance with the Act uses the conclusion wording from the Act, whilst the conclusion over the voluntary reporting uses the wording from paragraph 190 of ASSA 5000.
9. Proposed Illustration 3 in draft ED 03/25 follows the Corporations Act wording for the mandatory review conclusion and the

Location of Corporations Act illustrative reports

10. The Office of the AUASB considers it appropriate to include the Corporations Act specific Illustrative Reports in an Appendix to ASSA 5000 so that they accompany the existing international illustrative reports. This approach is consistent with the approach in ASA 700 *Forming an Opinion and Reporting on a Financial Report* and ASA 570 *Going Concern*.

Next steps

11. Subject to feedback provided by AUASB Members, the Office of the AUASB will issue ED 03/25 for a 30-day comment period. This consultation period will enable the illustrative reports to be finalised by the end of the year. The Office of the AUASB considers that a 30-day comment period is appropriate as there has already been soft consultation on the approach to Corporations Act illustrative reports with larger audit firms.
12. The Office of the AUASB will hold appropriate outreach with stakeholders during the comment period. The outreach will also cover the proposed amendments to ASSA 5010 in ED 02/25..

Other Materials Presented

Agenda Paper	Description
4.1	Draft ED 03/25 - Proposed Australian Sustainability Assurance Standard ASSA 2025-11 <i>Amendments to ASA 210, ASA 720 and ASSA 5000</i>

EXPOSURE DRAFT

ED 03/25

(October 2025)

Proposed Standard AUASB 2025-11 ***Amendments to ASA 210, ASA 720 and*** ***ASSA 5000***

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



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **XXX**.
Comments should be addressed to:

The Chair
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Projects-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (auasb.gov.au/projects/Open-for-comment) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 03/25

The AUASB issues exposure draft ED 03/25 of proposed AUASB Standard ASSA 2025-11 *Amendments to ASA 210, ASA 720 and ASSA 5000* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Proposals

This proposed Standard would amend:

- (a) ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) and ASA 210 *Agreeing the Terms of Audit Engagements* – to require practitioners not to accept engagements for the audit or review of financial reports or sustainability reports where there are certain limitations on scope;
- (b) ASSA 5000 and ASA 720 *The Auditor's Responsibilities Relating to Other Information* – to enhance requirements for communication between separate auditors of an entity's financial report and sustainability report; and
- (c) ASSA 5000 – for auditor's reports under the *Corporations Act 2001* (the Act).

Proposed Operative Date

It is intended that this proposed will be operative for financial reporting periods commencing on or after 1 January 2025, consistent with ASSA 5000.

Request for Comments

Comments are invited on this Exposure Draft ED 03/25 by no later than **XX**.

Important Note and Disclaimer

This Exposure Draft, in itself, does not establish or extend the requirements under existing AUASB Standards and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors are required to comply when conducting an audit. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

EXPLANATORY MEMORANDUM

Overview

1. The purpose of this Exposure Draft is to obtain feedback from stakeholders on the AUASB's following proposed amendments to the following standards:
 - (a) ASSA 5000 and ASA 210 *Agreeing the Terms of Audit Engagements* (ASA 210) – to require practitioners not to accept engagements for the audit or review of financial reports or sustainability reports where there are certain limitations on scope;
 - (b) ASSA 5000 and ASA 720 *The Auditor's Responsibilities Relating to Other Information* (ASA 720) – to enhance requirements for communication between separate auditors of an entity's financial report and sustainability report; and
 - (c) ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) – for auditor reporting under the *Corporations Act 2001* (the Act).

Separate auditors for the financial and sustainability reports

2. In mid-September 2025, ASIC publicly released FAQs stating that entities may appoint two separate auditors (i.e two separate audit firms, audit companies or individual auditors – not to be confused with two partners from the one firm) for the audit of the financial report and the sustainability report under the Act. Two weeks later, the AUASB issued an FAQ on some of the practical considerations for preparers and auditors (see FAQ 1 at [Sustainability Assurance - FAQs](#)). There can also be separate auditors where assurance is voluntary.
3. Feedback from stakeholders has been that further standards or guidance are required where there are separate auditors for an entity's financial and sustainability reports, particularly given the interconnectivity between the information and assumptions in those reports. Areas considered are:
 - (a) communication between the auditors in the context of identifying material inconsistencies between the financial and sustainability reports and material misstatements in the report subject to assurance by the other auditor; and
 - (b) sharing audit working papers between auditors. For example, the auditor of the sustainability report might seek to use the work of the auditor of the financial report on sale revenue or production volumes in providing assurance over estimates of Scope 3 emissions that use such information.
4. This exposure draft proposes amendments to ASA 210, ASA 720 and ASSA 5000 to address these matters. The table below outlines current requirements, the proposed amendments and alternatives considered. It is proposed that any amendments would not apply before years commencing 1 January 2026.

No.	Area	Current requirements	Proposed amendments	Alternative approach considered
1	Acceptance and continuance	ASSA 5000 para 27 only requires a practitioner not to accept an engagement where the engaging party imposes a limitation on scope that will result in a disclaiming a conclusion, unless	Add Aus paragraphs to ASSA 5000 and ASA 210 requiring an auditor or practitioner not to accept or continue with an engagement (unless required by law or regulation to do so) where there may be a	Line 9 in FAQ 1 already says that considerations for acceptance and continuance include the ability to access working papers of the other auditor/practitioner on a timely basis and

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

No.	Area	Current requirements	Proposed amendments	Alternative approach considered
		required by law or regulation to do so. Paragraph 7 of ASA 210 only requires an auditor not to accept an engagement where management or those charged with governance impose a limitation on scope that would result in disclaiming an opinion, unless required by law or regulation to do so.	limitation on scope that will result in disclaiming an opinion/conclusion where: (a) It is not possible to use the work of the other auditor/practitioner because of limitations on accessing working papers on a timely basis or where the work is not expected to be appropriate for the auditor/practitioner's own purposes; and (b) The engagement letter does not recognise that both auditors/practitioners may need to access and assistance to perform assurance work on the same information.	whether the work is appropriate for the auditor/practitioner's own purposes. Reliance would be placed on other requirements such as requirements for using the work of another auditor.
2	Other information	ASSA 5000 para 174 only requires the auditor or assurance practitioner (practitioner) of the sustainability information in an annual report to communicate with the auditor of the financial report if there appears to be: (a) a material inconsistency between the sustainability information and the financial report; or (b) the financial report appears to	Add an Aus paragraph to ASSA 5000 requiring the practitioner to communicate with the auditor of the financial report at appropriate times throughout the assurance engagement with the objective of identifying material inconsistencies and misstatements.	An FAQ that encourages communication rather than a requirement in ASSA 5000. While not mandatory, ASSA 5000 para A279 may be sufficient. Par A279 says that communication at appropriate times during the assurance engagement may be useful in planning the engagement , identifying risks of misstatement and to discuss matters

No.	Area	Current requirements	Proposed amendments	Alternative approach considered
		be materially misstated (ASSA 5000 paras 174).		identified during the engagements. Authorisation from management may be needed to share the entity's information.
3	Other information	There is no requirement in ASA 720 for the auditor of the financial report to communicate with the auditor or assurance practitioner (practitioner) of the sustainability information.	Add an Aus paragraph to ASA 720 requiring the auditor to communicate at appropriate times throughout the audit of the financial report with the auditor of the sustainability information with the objective of identifying material inconsistencies and misstatements.	An FAQ that encourages communication rather than a requirement in ASSA 5000.

Auditor's reports under the Act

5. Australia is amongst the first countries globally to mandate climate-related financial disclosures under reporting standards based on International Sustainability Standards Board standards, and assurance under the equivalent of ISSA 5000. ASSA 5000 is effective for periods beginning on or after 1 January 2025 to align with mandatory reporting and assurance under the Act.
6. While Appendix 3 of ASSA 5000 contains illustrative sustainability assurance reports, these are not specific to the auditor reporting requirements of the Act.
7. The AUASB considers that amendments to ASSA 5000 and illustrative assurance reports under the Act are necessary to provide clarity and promote consistent auditor reporting for engagements under the Act.
8. The AUASB proposes to:
 - (a) Amend paragraph 190 of ASSA 5000 for consistency with the Act; and
 - (b) Add five additional illustrative assurance reports to ASSA 5000:
 - (i) Illustration 1: Year 1 – Review report on specified sustainability disclosures in accordance with the *Corporations Act 2001* (compliance framework).
 - (ii) Illustration 2: Year 1 – Review report of specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* and other selected sustainability metrics (compliance framework).
 - (iii) Illustration 3 – Year 1 – Audit and review report of specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework).
 - (iv) Illustration 4: Years 2 and 3 – Review report on a sustainability report in accordance with the *Corporations Act 2001* (fair presentation framework).
 - (v) Illustration 5: Year 4 – Audit report on a sustainability report in accordance with the *Corporations Act 2001* (fair presentation framework).

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

9. The proposed amendments and the illustrative reports are intended to address key questions raised by auditors:

No.	Question	Proposed approach										
1.	Where they differ, should the conclusions/opinions in the auditor’s report be consistent with: (a) The requirements of the Act; or (b) The requirements of ISSA 5000, upon which ASSA 5000 is based?	Section 336 of the Act provides that the AUASB must not issue standards that are inconsistent with the Act. Any standard that is inconsistent with the act is invalid to the extent of that inconsistency. Accordingly, it is proposed that: (a) The conclusions and opinions in these reports be consistent with the conclusions and opinions required by the Act; and (b) Separate paragraphs of the illustrative reports address matters required by ISSA 5000, such as references to materiality, the fair framework (where applicable) and referring to limited assurance procedures performed; and (c) Paragraph 190 of ASSA 500 be amended to address any inconsistencies with the auditor reporting requirements of the Act.										
2	Should terminology in the Act or ISSA 5000/ASSA 5000 be used in the auditor’s report? <table><tr><th>Terms used in the Act</th><th>Terms used ASSA 5000</th></tr><tr><td>Review</td><td>Limited assurance engagement</td></tr><tr><td>Audit</td><td>Reasonable assurance engagement</td></tr><tr><td>Auditor</td><td>Practitioner</td></tr><tr><td>Auditor’s Report</td><td>Practitioner’s Report</td></tr></table>	Terms used in the Act	Terms used ASSA 5000	Review	Limited assurance engagement	Audit	Reasonable assurance engagement	Auditor	Practitioner	Auditor’s Report	Practitioner’s Report	Terminology consistent with the Act should be used for similar reasons (e.g. ‘review’ rather than ‘limited assurance engagement’; ‘auditor’ rather than ‘practitioner’). The terms are reconciled in the ‘Basis for Conclusion/Opinion’ in the illustrative reports. For example, for Year 1 the sentence ‘We conducted our review as a limited assurance engagement in accordance ASSA 5000 and ASSA 5010.’ appears.
Terms used in the Act	Terms used ASSA 5000											
Review	Limited assurance engagement											
Audit	Reasonable assurance engagement											
Auditor	Practitioner											
Auditor’s Report	Practitioner’s Report											
3	Is the framework for Year 1 fair presentation or compliance?	While AASB S2 <i>Climate Related Disclosures</i> requires the sustainability report to present fairly all climate-related risks and opportunities that could reasonably be expected to affect an entity’s prospects (S2 Appendix D paragraphs 11-16). Not all disclosures are subject to assurance in Year 1. Hence, the auditor cannot be expected to refer to a fair presentation. For Year 2 onwards, it is proposed that the illustrative reports under the Act refer to a fair presentation framework. However, this would be in paragraphs other than the conclusion/opinion paragraphs. The conclusion/opinion paragraphs would follow the requirements of the Act.										
4	Should the reports be addressed to the members?	This is required by subsections 309A(1) and 1707F(2) of the Act.										

Conclusion wording

10. The wording of the auditor's review report or audit report must be consistent with subsections 309A(3) and 1707F(4) of the Act.
11. Section 1707F outlines the required content of the auditor's review report on a sustainably report or information in a sustainability report.

1707F – Review of sustainability report before 1 July 2030

- (1) ...
- (2) An auditor who reviews the sustainability report must report to members in accordance with subsections (3), (4) and (5) of this section on whether the auditor became aware of any matter in the course of the review that makes the auditor believe that the sustainability report, to the extent that it is required to be reviewed by the auditing standards, does not comply with Division 1 of Part 2M.3.
- (3) A report under subsection (2) must:
 - (a) describe any matter referred to in subsection (2); and
 - (b) say why that matter makes the auditor believe that the sustainability report, to the extent that it is required to be reviewed by the auditing standards, does not comply with Division 1 of Part 2M.3.
- (4) The auditor's report must include any statements or disclosures required by the auditing standards for the purposes of this section. ...

12. Based on this, the proposed wording of the auditor's review conclusion in the Year 1 illustrative reports is:

‘We have not become aware of any matter in the course of the review that makes us believe that the Sustainability Climate Information does not comply with Division 1 of Part 2M.3 of the Corporations Act 2001.’

13. This is supplemented by additional material in the report as follows:

- (a) Immediately after the conclusion paragraph above, a new paragraph – ‘Our review is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain limited assurance that the information outlined above is free from material misstatement.’
- (b) An additional sentence at the end of the second paragraph in the ‘Basis for Conclusion’ (as underlined) – ‘The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the Summary of the Work Performed section of our report.’

14. Paragraph 190(c)(vi)(b) of ASSA 5000 requires ‘a conclusion to be ‘expressed in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the practitioner’s attention to cause the practitioner to believe that the sustainability information is not prepared or not fairly presented, in all material respects, in accordance with the applicable criteria’. If paragraph 190(c)(vi)(b) were followed instead of the Act, the conclusion would be as follows and the additional material in paragraph 12 would not be needed:

‘Based on the procedures we have performed and the evidence we have obtained, we have not become aware of any matters in the course of our review that makes us believe that the Sustainability Climate Information is not prepared, in all material respects, in accordance with Division 1 of Part 2M.3 of the *Corporations Act 2001* including

Australian Sustainability Reporting Standard AASB S2 Climate-related Disclosures, for the year ended XX.'

Opinion wording

15. Section 309A outlines the required content of the auditor's audit report on a sustainability report or information in a sustainability report.

309A – Auditor's report on sustainability report

Audit of sustainability report

- (1) An auditor who audits the sustainability report for a financial year must report to members in accordance with subsections (2), (3), (4) and (5) on whether the auditor is of the opinion that the sustainability report is in accordance with this Act, including:
- (a) subsection 296A(2) or 296B(1) (contents of climate statements); and
 - (b) section 296C (compliance with sustainability standards etc.); and
 - (c) section 296D (climate statement disclosures).

If the auditor is not of that opinion, the auditor's report must say why.

- (2) The auditor's report must describe:
- (a) any defect or irregularity in the sustainability report; and
 - (b) any deficiency, failure or shortcoming in respect of the matters referred to in paragraph 307AA(b).

Requirements for report

- (3) The auditor's report must include any statements or disclosures required by the auditing standards.
- (4) If the sustainability report includes additional information under paragraph 296A(3)(c), the auditor's report must also include a statement of the auditor's opinion on whether the inclusion of that additional information was necessary to make the disclosures required by section 296D...

16. Based on this, the proposed wording of the auditor's opinion in the illustrative audit report is:
- 'In our opinion, the Sustainability Report is in accordance with Division 1 of Part 2M.3 of the Corporations Act 2001, including:
- (a) Subsection 296A(2) (contents of climate statements); and
 - (b) Section 296C (compliance with Australian Sustainability Reporting Standard S2 *Climate-related Disclosures* issued by the Australian Accounting Standards Board and any Ministerial legislative instrument) and
 - (c) Section 296D (climate statement disclosures).'

17. This is supplemented by additional material in the report as follows:

'Immediately after the opinion paragraph above, a new paragraph – 'Our audit is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain reasonable assurance that the Sustainability Report is free from material misstatement.'

18. Paragraph 190(c)(vi)(a) of ASSA 5000 requires a conclusion 'shall be expressed in a positive form, that the sustainability information is prepared or fairly presented, in all material respects, in accordance with the applicable criteria' were followed instead, the conclusion would be as follows and the additional material in paragraph 16 above would not be needed:

'In our opinion, the Sustainability Report is fairly presented, in all material respects, with Division 1 of Part 2M.3 of the Corporations Act 2001, including:

- (a) Subsection 296A(2)(contents of climate statements); and
- (b) Section 296C (compliance with Australian Sustainability Reporting Standard S2 Climate-related Disclosures issued by the Australian Accounting Standards Board and any Ministerial legislative instrument) and

Request for comments

19. The AUASB requests comments on all matters covered in ED 03/25, but specifically on the questions in the 'Exposure draft questions' section below. In this regard:
- (a) Comments should be sufficiently detailed and include whether or not stakeholders agree with the proposed amendments.
 - (b) Stakeholders may address only specific questions relevant to them or raise matters not specifically addressed by a question.
 - (c) The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed amending standards.
 - (d) Comments will be most helpful when they refer to specific paragraphs, include the reasons for the comments and, when appropriate, make specific suggestions for any proposed changes to wording.

Exposure draft questions

20. The AUASB is seeking comments from stakeholders on the following questions (please include reasons supporting your responses to the questions):

Communication between auditors and sharing working papers

- 1. Do you agree with the proposal that where there are separate auditors for the financial and sustainability reports, ASA 210, ASA 720 and ASSA 5000 should be amended to require communication between the auditors to assist in identifying material inconsistencies and material misstatements?
- 2. Do you agree that where there are separate auditors for the financial report and the sustainability report, the auditors should be required to consider the ability to access the timely and appropriate work of the other auditor, or effectively undertake the work themselves?
- 3. Do you consider that instead of requirements, the AUASB should use guidance to encourage communication and sharing of audit working papers?
- 4. Do you consider existing requirements of the standards on communication, the use of the work of other auditors and acceptance/continuance are sufficient?
- 5. Do you agree that any amendments to the standards should not apply before years commencing 1 January 2026?
- 6. Are there other matters not addressed by this ED that should be considered by the AUASB on communication and sharing of working papers?

Auditor reporting under the *Corporations Act 2001* (the Act)

- 7. Do you agree that the wording of the auditor's conclusion/opinion required by the Act should be used?
- 8. Should the auditor's conclusion/opinion instead use the wording in ASSA 5000 paragraph 190(c)(vi)? For example should the review conclusion be preceded by the words 'Based on the procedures performed and evidence obtained' and refer to materiality?
- 9. Do you agree with adding Aus paragraphs to ASSA 5000 such that reports under the Act are not required to include words that may be inconsistent with the conclusions/opinions required by the Act?

10. Do you agree that the auditor's report should use the same terminology as the Act rather than the terminology used in ASSA 5000 (for example, 'review' instead of 'limited assurance')?
11. Do you agree with the proposal that in Year 1, where only specified disclosures are subject to assurance, the audit is based on a compliance framework rather than a fair presentation framework?
12. Are there other matters not addressed by this ED that should be considered by the AUASB for the proposed illustrative reports?

Draft

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard on Sustainability Assurance ASSA 2025-11 *Amendments to ASSA 5000 for Australian illustrative assurance reports* pursuant to section 227B(1)(a) and (b) of the *Australian Securities and Investments Commission Act 2001* and for the purposes of section 336 of the *Corporations Act 2001*.

Draft

Conformity with International Standards

The amendments made by this standard to ASA 210 *Agreeing the Terms of Audit Engagements*, ASA 720 *The Auditor's Responsibilities Relating to Other Information* and ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000) in connection with communication and sharing of audit working papers between separate auditors of an entity's financial report and sustainability report are enhancements to the corresponding standards issued by the International Auditing and Assurance Standards Board (IAASB). The amendments do not result in any non-conformity with IAASB standards.

The amendments made by this Standard to ASSA 5000 in connection with the auditor reporting have been made for Australian legislative purposes. References to materiality, fair presentation and the auditor's procedures that are required to be included in conclusions/opinions by ISSA 5000 are covered by additional paragraphs in *Corporations Act 2001* specific illustrative assurance reports.

AUASB STANDARD

AUASB 2025-11 AMENDMENTS TO ASA 210, ASA 720 AND ASSA 5000

Application

1. This Standard applies to audits and assurance engagements consistent with the application paragraphs of the standards that it amends.
2. This ASSA also applies, as appropriate, to assurance on other sustainability information.

Operative Date

3. The provisions of this Standard are operative as follows:
 - (a) Paragraphs 7 to 10 - for reporting periods commencing on or after 1 January 2026; and
 - (b) Paragraphs 11 and 12 - for reporting periods commencing on or after 1 January 2025.Early adoption is permitted.

Introduction

4. This standard amends ASA 210 *Agreeing the Terms of Audit Engagements* (ASA 210), ASA 720 *The Auditor's Responsibilities Relating to Other Information* (ASA 720) and ASSA 5000 *General Requirements for Sustainability Assurance Engagements* (ASSA 5000).

Objective

5. The objective of this Standard is to make amendments to ASA 210, ASA 720 and ASSA 5000.

Definition

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

Amendments to ASA 210

7. In ASA 210 insert the following paragraph after paragraph 7:

‘Aus 7.1 Where the entity’s public sustainability report is subject to assurance by another practitioner and there may be a limitation on scope that will result in disclaiming an opinion/conclusion on the financial report because:

 - (a) It is not possible to use the work of the other practitioner because of limitations on accessing their relevant working papers on a timely basis or where the work is not expected to be appropriate for the auditor’s own purposes; and
 - (b) The engagement letter does not recognise that both the auditors and other practitioner may need access and assistance to perform assurance work on the same information,

the auditor shall not accept or continue with such a limited engagement as an audit engagement, unless required by law or regulation to do so.’

Amendments to ASA 720

8. In ASA 720 insert the following after paragraph 15:

‘Aus 15.1 Where the entity’s public sustainability report is subject to assurance by another practitioner, the auditor shall communicate with that other practitioner

at appropriate times during the audit of the financial report to assist in identifying material inconsistencies between the reports and material misstatements in the sustainability report.’

Amendments to ASSA 5000

9. Immediately after paragraph 27 of ASSA 5000 insert:

‘Aus 27.1 Where the entity’s financial report is subject to assurance by another auditor and there may be a limitation on scope that will result in disclaiming an opinion/conclusion on the sustainability information because:

- (a) It is not possible to use the work of the other auditor/ practitioner because of limitations on accessing their relevant working papers on a timely basis or where the work is not expected to be appropriate for the auditor/ practitioner’s own purposes; and
- (b) The engagement letter does not recognise that both the practitioner and other auditor may need access and assistance to perform assurance work on the same information,

the practitioner shall not accept or continue with such a limited engagement as an assurance engagement, unless required by law or regulation to do so.’

10. Immediately after paragraph 172 of ASSA 5000 insert the following:

‘Communication with the financial report auditor

Aus 172.1 Where the entity’s financial report is subject to assurance by another auditor, the practitioner shall communicate with that other auditor at appropriate times during the assurance engagement on the sustainability report to assist in identifying material inconsistencies between the reports and material misstatements in the financial report.’

11. Immediately after paragraph 190 of ASSA 5000, insert:

‘Aus 190.1 Paragraph 190(c)(vi) does not apply to an engagement under the *Corporations Act 2001*.’

12. The following is inserted as Appendix 4 in the Application and Other Explanatory Material of ASSA 5000.

Illustrative *Corporations Act 2001* sustainability assurance reports

- Illustration 1: Year 1 –Review report of specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework).
- Illustration 2: Year 1 – Review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* and other selected sustainability metrics (compliance framework).
- Illustration 3: Year 1 – Audit and review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework).
- Illustration 4: Year 2 and 3 –Review report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework).
- Illustration 5: Year 4 – Audit report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework).

Illustration 1: Year 1 – Review report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework)

1. This is the entity's first year of reporting in accordance with the *Corporations Act 2001* and the auditor has conducted a review in accordance with the mandatory phasing requirements in ASSA 5010 for Year 1.
2. Assurance is only provided in accordance with the mandatory phasing requirements in ASSA 5010 for Year 1 (i.e. there is no voluntary assurance).
3. Climate-related risks and opportunities are material.
4. The auditor has concluded that an unmodified review conclusion is appropriate.
5. There is no comparative information in Year 1.
6. *Corporations Act 2001* terminology has been used (e.g. 'review' rather than 'limited assurance engagement').

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances

INDEPENDENT AUDITOR'S REVIEW REPORT ON ABC COMPANY LIMITED'S SUSTAINABILITY CLIMATE INFORMATION

To the Members of ABC Company Limited

Review Conclusion

We have conducted a review of the following information in the Sustainability Report of ABC Company Limited (the Company) for the year ended 31 December 2025 (the 'Sustainability Climate Information') as required by Australian Standards on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010) issued by the Auditing and Assurance Standards Board (AUASB):

Sustainability Climate Information	Reporting requirement of AASB S2 <i>Climate-related Disclosures</i> (including related general disclosures required by Appendix D)	Location in Sustainability Report¹
Governance	Paragraph 6	Paragraphs x to x on pages y to y
Strategy (risk and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	Paragraphs x to x on pages y to y
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	Paragraphs x to x on pages y to y

We have not become aware of any matter in the course of the review that makes us believe that the Sustainability Climate Information outlined above does not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Our review is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain limited assurance that the information outlined above is free from material misstatement.

¹ If the entity has prepared a basis of preparation, where relevant, the location of disclosures in the sustainability report should also include a reference to the basis of preparation.

Basis for Conclusion

We conducted our review as a limited assurance engagement in accordance with ASSA 5000 and ASSA 5010.

The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the Summary of the Work Performed section of our report.

Our responsibilities under ASSA 5000 are further described in the Auditor's Responsibilities section of our report.

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to July 2025) (the Code), together with the ethical requirements in the *Corporations Act 2001*, that are relevant to public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Emphasis of Matter

We draw attention to [identify the specific disclosure in the Sustainability Climate Information], which describes [...].

Our conclusion is not modified in respect of this matter.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the Company's Annual Report, including the Financial Report and the Sustainability Report, but does not include the Sustainability Climate Information and our review report thereon.

Our conclusions on the Sustainability Climate Information do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the Sustainability Climate Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Climate Information, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Climate Information

The Directors of the Company are responsible for:

- The preparation of the Sustainability Climate Information in accordance with the *Corporations Act 2001* (including AASB S2).
- Designing, implementing and maintaining such internal control necessary to enable the preparation of the Sustainability Climate Information, in accordance with the *Corporations Act 2001* that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Climate Information

As discussed in *[identify the specific disclosure in the Sustainability Climate Information]*, *[provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria]*.

Auditor's Responsibilities

Our objectives are to plan and perform the review to obtain limited assurance about whether the Sustainability Climate Information is free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Climate Information.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. 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.

Summary of the Work Performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the Sustainability Climate Information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error. In conducting our review, we:

[Insert a summary of the nature and extent of procedures performed that, in the auditor's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the auditor's conclusion and the level of assurance obtained.]

[Signature in the name of the audit firm or authorised audit company]

[Signature of the lead auditor]

[Auditor's address]

[Date of the review]

Illustration 2: Year 1 – Report on specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* and other selected sustainability metrics (compliance framework)

1. This is the entity's first year of reporting in accordance with the *Corporations Act 2001* and the auditor has conducted a review in accordance with the mandatory phasing requirements in ASSA 5010 for Year 1. The directors have also engaged the auditor to provide limited assurance over selected sustainability metrics prepared voluntarily in accordance with entity developed criteria which are also presented in the entity's sustainability report.
2. Climate-related risks and opportunities are material.
3. The auditor has concluded that an unmodified review conclusion is appropriate.
4. The selected sustainability metrics have been presented as part of the entity's sustainability report and have been clearly identified as being in addition to what is required by AASB S2 and does not obscure the required climate-related disclosures. As the selected sustainability metrics are presented in the entity's sustainability report, the assurance report has been addressed to members.
5. There is no comparative information in Year 1.
6. *Corporations Act 2001* terminology has been used (e.g. 'review' rather than 'limited assurance engagement').

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances

INDEPENDENT AUDITOR'S REVIEW REPORT ON ABC COMPANY LIMITED'S SUSTAINABILITY INFORMATION

To the Members of ABC Company Limited

Review Conclusion – Sustainability Climate Information

We have conducted a review of the following information in the Sustainability Report of ABC Company Limited (the Company) for the year ended 31 December 2025 (the "Sustainability Climate Information"):

Sustainability Climate Information	Reporting requirement of AASB S2 <i>Climate-related Disclosures</i> (including related general disclosures required by Appendix D)	Location in Sustainability Report²
Governance	Paragraph 6	Paragraphs x to x on pages y to y
Strategy (risk and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	Paragraphs x to x on pages y to y
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	Paragraphs x to x on pages y to y

We have not become aware of any matter in the course of the review that makes us believe that the Sustainability Climate Information outlined above does not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Our review is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain limited assurance that the information outlined above is free from material misstatement.

² If the entity has prepared a basis of preparation, where relevant, the location of disclosures in the sustainability report should also include a reference to the basis of preparation.

Review Conclusion – Selected Sustainability Metrics

We have conducted a review of the “Selected Sustainability Metrics”, outlined in the table below, which are included in the Sustainability Report of ABC Company Limited (the Company) for the year ended 31 December 2025:

Selected Sustainability Metrics	Criteria	Location in Sustainability Report
Workforce disclosure [X]	[Description of entity-developed criteria] presented in the basis of preparation	Paragraphs x to x on pages y to y
Workforce disclosure [Y]	[Description of entity-developed criteria] presented in the basis of preparation	Paragraphs x to x on pages y to y

Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Selected Sustainability Metrics are not prepared, in all material respects, in accordance with the Criteria.

Basis for Conclusions

We conducted our review(s) as a limited assurance engagement in accordance with ASSA 5000 and ASSA 5010.

The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the Summary of the Work Performed section of our report.

Our responsibilities under ASSA 5000 are further described in the Auditor’s Responsibilities section of our report.

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to July 2025) (the Code), together with the ethical requirements in the *Corporations Act 2001*, that are relevant to public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Emphasis of Matter

We draw attention to [identify the specific disclosure in the Sustainability Climate Information], which describes [...].

Our conclusion is not modified in respect of this matter.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the Company’s Annual Report, including the Financial Report and Sustainability Report,

but does not include the Sustainability Climate Information or Selected Sustainability Metrics and our review report thereon.

Our conclusions on the Sustainability Climate Information and Selected Sustainability Metrics do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our reviews of the Sustainability Climate Information and Selected Sustainability Metrics, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Climate Information and Information Subject to Assurance, or our knowledge obtained when conducting the reviews, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Climate Information and Selected Sustainability Metrics

The Directors of the Company are responsible for:

- The preparation of:
 - the Sustainability Climate Information in accordance with the *Corporations Act 2001* (including AASB S2); and
 - the Selected Sustainability Metrics in accordance with the Criteria.
- Designing, implementing and maintaining such internal control that management determines is necessary to enable the preparation of the Sustainability Climate Information, in accordance with the *Corporations Act 2001* that is free from material misstatement, whether due to fraud or error.
- Designing, implementing and maintaining such internal control necessary to enable the preparation of the Selected Sustainability Metrics, in accordance with the Criteria that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Climate Information and Selected Sustainability Metrics

As discussed in [identify the specific disclosure in the Sustainability Climate Information], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Auditor's Responsibilities

Our objectives are to plan and perform the review to obtain limited assurance about whether the Sustainability Climate Information and Selected is free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Climate Information and the Selected Sustainability Metrics.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.
- Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. 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.

Summary of the Work Performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the Sustainability Climate Information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error. In conducting our review, we:

(a) For the Sustainability Climate Information:

- ...
- ...

(b) For the Selected Sustainability Metrics

- ...
- ...

[Insert a summary of the nature and extent of procedures performed that, in the auditor's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the auditor's conclusion and the level of assurance obtained.]

[Signature in the name of the audit firm or authorised audit company]

[Signature of the lead auditor]

[Auditor's address]

[Date of the review]

Illustration 3: Year 1 – Auditor’s audit and review report of specified sustainability disclosures prepared in accordance with the *Corporations Act 2001* (compliance framework)

1. This is the entity’s first year of reporting in accordance with the *Corporations Act 2001* and the auditor has conducted a review in accordance with the mandatory phasing requirements in ASSA 5010 for Year 1. The directors have also engaged the auditor to provide reasonable assurance over Scope 1 and 2 emissions
2. Climate-related risks and opportunities are material.
3. The auditor has concluded that an unmodified review conclusion is appropriate.
4. There is no comparative information in Year 1.
5. *Corporations Act 2001* terminology has been used (e.g. ‘review’ rather than ‘limited assurance engagement’).

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances

INDEPENDENT AUDITOR’S REVIEW REPORT ON ABC COMPANY LIMITED’S SUSTAINABILITY CLIMATE INFORMATION

To the Members of ABC Company Limited

Audit Opinion and Review Conclusion

We have conducted an audit and review of the following information in the Sustainability Report of ABC Company Limited (the Company) for the year ended 31 December 2025 (the “Sustainability Climate Information”) as required by Australian Standards on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010) issued by the Auditing and Assurance Standards Board (AUASB):

Sustainability Climate Information	Reporting requirement of AASB S2 <i>Climate-related Disclosures</i> (including related general disclosures required by Appendix D)	Location in Sustainability Report³	Assurance level
Governance	Paragraph 6	Paragraphs x to x on pages y to y	Review
Strategy (risk and opportunities)	Subparagraphs 9(a), 10(a) and 10(b)	Paragraphs x to x on pages y to y	Review
Scope 1 and 2 emissions	Subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v)	Paragraphs x to x on pages y to y	Audit

Review conclusion

We have not become aware of any matter in the course of the review that makes us believe that the Sustainability Climate Information outlined above does not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Our review is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA

³ If the entity has prepared a basis of preparation, where relevant, the location of disclosures in the sustainability report should also include a reference to the basis of preparation.

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

5000) issued by the AUASB to obtain limited assurance that the information outlined above is free from material misstatement.

Audit opinion

In our opinion the Sustainability Climate Information is in accordance with Division 1 of Part 2M.3 of the *Corporations Act 2001*, including.

- (a) subsection 296A(2) (contents of climate statements); and
- (b) section 296C (compliance with Australian Sustainability Reporting Standard S2 *Climate-related Disclosures* issued by the Australian Accounting Standards Board and any Ministerial legislative instrument); and
- (c) section 296D (climate statement disclosures).

Our audit is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain reasonable assurance that the Sustainability Report is free from material misstatement.

Basis for Opinion and Conclusion

We conducted our audit as a reasonable assurance engagement and our review as a limited assurance engagement in accordance with ASSA 5000 and ASSA 5010.

The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the Summary of the Work Performed section of our report.

Our responsibilities under ASSA 5000 are further described in the Auditor's Responsibilities section of our report.

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to July 2025) (the Code), together with the ethical requirements in the *Corporations Act 2001*, that are relevant to public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Emphasis of Matter

We draw attention to [identify the specific disclosure in the Sustainability Climate Information], which describes [...].

Our conclusion is not modified in respect of this matter.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the Company's Annual Report, including the Financial Report and Sustainability Report, but does not include the Sustainability Climate Information and our audit and review report thereon.

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

Our conclusions on the Sustainability Climate Information do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the Sustainability Climate Information, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Climate Information, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Climate Information

The Directors of the Company are responsible for:

- The preparation of the Sustainability Climate Information in accordance with the *Corporations Act 2001* (including AASB S2).
- Designing, implementing and maintaining such internal controls necessary to enable the preparation of the Sustainability Climate Information, in accordance with the *Corporations Act 2001* that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Climate Information

As discussed in *[identify the specific disclosure in the Sustainability Climate Information]*, *[provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria]*.

Auditor's Responsibilities

Our objectives are to:

- Plan and perform the audit to obtain reasonable assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue an assurance report that includes our opinion.
- plan and perform the review to obtain limited assurance about whether the Sustainability Climate Information is free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Climate Information.

As part of our audit and review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- For an audit engagement:
 - Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
 - Design and perform procedures responsive to assessed risks of material misstatement at the assertion level for the disclosures. 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.

- For a review engagement:
 - Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.
 - Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. 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.

Summary of the Work Performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the Sustainability Climate Information. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error. In conducting our review, we:

[Insert a summary of the nature and extent of procedures performed that, in the auditor's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the auditor's conclusion and the level of assurance obtained.]

[Signature in the name of the audit firm or authorised audit company]

[Signature of the lead auditor]

[Auditor's address]

[Date of the review]

Illustration 4: Year 2 and 3 – Review report on a sustainability report prepared in accordance with the *Corporations Act 2001* (fair presentation framework)

1. This is an entity's second or third year of reporting in accordance with the *Corporations Act 2001* and the auditor has conducted a review in accordance with the mandatory phasing requirements in ASSA 5010.
2. Climate-related risks and opportunities are material.
3. The auditor has concluded that an unmodified review conclusion is appropriate.
4. Only parts of the comparative information in Year 2 were subject to assurance as part of the auditor's review in Year 1.
5. Comparative information in Year 3 was subject to assurance by the auditor in Year 2.
6. *Corporations Act 2001* terminology has been used (e.g. 'review' rather than 'limited assurance engagement').

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances

INDEPENDENT AUDITOR'S REVIEW REPORT ON ABC COMPANY LIMITED'S SUSTAINABILITY REPORT

To the Members of ABC Company Limited

Review Conclusion

We have conducted a review of the Sustainability Report of ABC Company Limited (the Company), which comprises the climate statements for the year, notes to the climate statements, any statements required under subsection (5) of section 296A of the *Corporations Act 2001* and the directors' declaration⁴ for the year ended XX XXX 20XX.

We have not become aware of any matter in the course of the review that makes us believe that the Sustainability Report does not comply with Division 1 of Part 2M.3 of the *Corporations Act 2001*.

Our review is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain limited assurance that the information outlined above is free from material misstatement.

Basis for Conclusion

We conducted our review as a limited assurance engagement in accordance with ASSA 5000 and ASSA 5010.

The procedures in a review vary in nature and timing from, and are less in extent than for, an audit. Consequently, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an audit been performed. See the Summary of the Work Performed section of our report.

Our responsibilities under this standard are further described in the Auditor's Responsibilities section of this section of our report.

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to July 2025) (the Code), together with the ethical requirements in the *Corporations Act 2001*, that are relevant to public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

⁴ If the entity has prepared a basis of preparation, include this as part of the contents of their sustainability report.

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Emphasis of Matter

We draw attention to [identify the specific disclosure in the Nature Information], which describes [...].

Our conclusion is not modified in respect of this matter.

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the Company's Annual Report, including the Financial Report, but does not include the Sustainability Report and our review report thereon.

Our conclusions on the Sustainability Report do not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our review of the Sustainability Report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Report, or our knowledge obtained when conducting the review, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities for the Sustainability Report

The Directors of the Company are responsible for:

- The preparation and fair presentation of the Sustainability Report in accordance with the *Corporations Act 2001* (including AASB S2 *Climate-related Disclosures*).
- Designing, implementing and maintaining such internal controls necessary to enable the preparation of the Sustainability Climate Information, in accordance with the *Corporations Act 2001* that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Report

As discussed in [identify the specific disclosure in the Sustainability Report], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Auditor's Responsibilities

Our objectives are to plan and perform the review to obtain limited assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue a review report that includes our conclusion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Report.

As part of a review in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatements, whether due to fraud or error, at the disclosure level but not for the purpose of providing a conclusion on the effectiveness of the entity's internal control.

Proposed Standard AUASB 2025-11
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- Design and perform procedures responsive to assessed risks of material misstatement at the disclosure level. 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.

Summary of the Work Performed

A review is a limited assurance engagement and involves performing procedures to obtain evidence about the Sustainability Report. The nature, timing and extent of procedures selected depend on professional judgement, including the assessed risks of material misstatement at the disclosure level, whether due to fraud or error. In conducting our review, we:

[Insert a summary of the nature and extent of procedures performed that, in the auditor's judgement, provides additional information that may be relevant to the users' understanding of the work performed to support the auditor's conclusion and the level of assurance obtained.]

Other Matter⁵

The following comparative information was subject to review in the prior year and an unmodified conclusion was issued:

- (a) Governance, in accordance with paragraph 6 of AASB S2 *Climate-related Disclosures* (AASB S2), on pages X to X of the Sustainability Report;
- (b) Strategy (risks and opportunities), in accordance with subparagraphs 9(a), 10(a) and 10(b) of AASB S2, on pages X to X of the Sustainability Report; and
- (c) Scope 1 and Scope 2 greenhouse gas emissions, in accordance with subparagraphs 29(a)(i)(1) to (2) and 29(a)(ii) to (v) of AASB S2, on pages X to X of the Sustainability Report;

The other comparative information was not subject to review in the prior year. We conducted a review only on selected climate-related disclosures in the Sustainability Report of ABC Company for the year ended XX XXX 20XX (which is a different engagement scope to the current engagement), and issued an unmodified conclusion.

In connection with our review of the Sustainability Report, our responsibility is to determine whether the comparative information not subject to review in the prior year, is appropriately presented, by evaluating its consistency with the disclosures presented in the prior period and the consistency of the criteria with the criteria applied in the current period. Our conclusion is not modified in respect of this matter.

[Signature in the name of the audit firm or authorised audit company]

[Signature of the lead auditor]

[Auditor's address]

[Date of the review]

⁵ ASSA 5000 paragraph 209 requires the auditor to state in an Other Matter paragraph that the comparative information was not subject to assurance in the prior period. ASSA 5000 paragraph 210 requires the auditor to state in an Other Matter paragraph that the comparative information had a different engagement scope than the current period. This description is applicable for years 2.

Illustration 5: Year 4 – Audit report on a sustainability report prepared in accordance with the Corporations Act 2001 (fair presentation framework)

Background:

1. This is the entity's fourth year of reporting in accordance with the *Corporations Act 2001* (the Act) and the auditor has conducted an audit of the mandatory disclosures in the sustainability report in accordance with ASSA 5010 or the Act.
2. The sustainability report does not include information other than that required by the Act.
3. Climate-related risks and opportunities are material.
4. The auditor has concluded that an unmodified audit opinion is appropriate.
5. The comparative information in Year 3 was subject to a review report by the auditor in accordance with ASSA 5010.
6. *Corporations Act 2001* terminology has been used (e.g. 'audit' rather than 'reasonable assurance engagement').

The following report is for illustrative purposes only and is not intended to be exhaustive or applicable to all situations. The assurance report needs to be tailored to the engagement circumstances

INDEPENDENT AUDITOR'S REPORT ON ABC COMPANY LIMITED'S SUSTAINABILITY REPORT

To the Members of ABC Company Limited

Opinion

We have conducted an audit of the Sustainability Report of ABC Company Limited (the Company) which comprises the climate statements for the year, notes to the climate statements, any statements required under subsection (5) of section 296A of the *Corporations Act 2001* and the directors' declaration⁶ for the year ended XX XXX 20XX as required by Australian Standards on Sustainability Assurance (ASSA 5010) *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (ASSA 5010) issued by the Auditing and Assurance Standards Board (AUASB).

In our opinion the Sustainability Report is in accordance with Division 1 of Part 2M.3 of the *Corporations Act 2001*, including.

- (d) subsection 296A(2) (contents of climate statements); and
- (e) section 296C (compliance with Australian Sustainability Reporting Standard S2 *Climate-related Disclosures* issued by the Australian Accounting Standards Board and any Ministerial legislative instrument); and
- (f) section 296D (climate statement disclosures).

Our audit is required by the Act to be conducted in accordance with Australian Standard on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance* (ASSA 5000) issued by the AUASB to obtain reasonable assurance that the Sustainability Report is free from material misstatement.

Basis for Conclusion

We conducted our audit as a reasonable assurance engagement in accordance with ASSA 5000 and ASSA 5010.

⁶ If the entity has prepared a basis of preparation, include this as part of the contents of their sustainability report.

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

Our responsibilities under this standard are further described in the Auditor's Responsibilities section of our report.

We are independent of the Company in accordance with the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (November 2018 incorporating all amendments to July 2025) (the Code), together with the ethical requirements in the *Corporations Act 2001*, that are relevant to public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the Code.

Our firm applies Australian Standard on Quality Management ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management, including policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

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

Other Information

The Directors of the Company are responsible for the other information. The other information comprises the Company's Annual Report, including the Financial Report, but does not include the Sustainability Report and our audit report thereon.

Our conclusion on the Sustainability Report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Sustainability Report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the Sustainability Report or our knowledge obtained when conducting the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Emphasis of Matter

We draw attention to [identify the specific disclosure in the Sustainability Report], which describes [...].

Our conclusion is not modified in respect of this matter.

Responsibilities for the Sustainability Report

The Directors of the Company are responsible for:

- The preparation and fair presentation of the Sustainability Report in accordance with the *Corporations Act 2001* (including AASB S2).
- Designing, implementing and maintaining such internal control necessary to enable the preparation of the Sustainability Report, in accordance with the *Corporations Act 2001* that is free from material misstatement, whether due to fraud or error.

Inherent Limitations in Preparing the Sustainability Report

As discussed in [identify the specific disclosure in the Sustainability Information], [provide a specific description of any significant inherent limitations associated with the measurement or evaluation of the sustainability matters against the applicable criteria].

Auditor's Responsibilities

Our objectives are to plan and perform the audit to obtain reasonable assurance about whether the Sustainability Report is free from material misstatement, whether due to fraud or error, and to issue an

Proposed Standard AUASB 2025-11
Amendments to ASA 210, ASA 720 and ASSA 5000

assurance report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Report.

As part of an audit in accordance with ASSA 5000, we exercise professional judgement and maintain professional scepticism throughout the engagement. We also:

- Perform risk assessment procedures, including obtaining an understanding of internal control relevant to the engagement, to identify and assess the risks of material misstatement, whether due to fraud or error, at the assertion level for the disclosures but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Design and perform procedures responsive to assessed risks of material misstatement at the assertion level for the disclosures. 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.

Other Matter⁷

The comparative information was not subject to audit however was subject to review in the prior year and we issued an unmodified conclusion.

In connection with our audit of the Sustainability Report, our responsibility is to determine whether the comparative information not subject to audit in the prior year, is appropriately presented, by evaluating its consistency with the disclosures presented in the prior period and the consistency of the criteria with the criteria applied in the current period. Our conclusion is not modified in respect of this matter.

[Signature in the name of the audit firm or authorised audit company]

[Signature of the lead auditor]

[Date of the review report]

⁷ ASSA 5000 paragraph 210 requires the auditor to state in an Other Matter paragraph that the subject matter information was subject to a different level of assurance in the prior period.



AUASB Agenda Paper

Title:	Separate auditors for the financial and sustainability reports	Date:	14 October 2025
Office of the AUASB:	Jeff Muir / Doug Niven	Agenda Item:	5.0

Objectives

1. The objective of this paper is to seek AUASB member feedback on, and approval to issue, an exposure draft proposing amendments to [ASA 210 Agreeing the Terms of Audit Engagements](#) (ASA 210), [ASA 720 The Auditor's Responsibilities Relating to Other Information](#) (ASA 720) and [ASSA 5000 General Requirements for Sustainability Assurance Engagements](#) (ASSA 5000) for requirements and guidance where there are separate **auditors** for the financial and sustainability report (i.e. audit firms, authorised audit companies or individual auditors) in response to stakeholder feedback.
2. This paper deals with circumstances where there are two auditors for the purposes of the *Corporations Act 2001* (the Act) or voluntary assurance on sustainability information in an annual report that is not under the Act.
3. This paper does not deal with cases where there are separate lead auditors within the one audit firm for the financial and sustainability reports.

Questions for AUASB members

No.	Question
1	Do AUASB members have any comments on the proposals for draft ED 03/25 outlined in paragraph 9 below?
2	Do AUASB members agree that any amendments to ASSA 5000 should apply from years commencing 1 January 2026?
3	Do AUASB members approve the release of ED 03/25 for a 30 day comment period, subject to correcting any minor editorials?

Background and Previous Discussions on Topic

4. In a closed AUASB meeting on 11 August 2025, AUASB members discussed ASIC's then confidential legal view that there can be separate auditors for the financial report and sustainability report under the Act. The AUASB had drafted a AUASB FAQ on some of the practical implications for preparers and auditors of having the same or separate auditors. The ASIC view and the draft AUASB FAQs were subject to 'soft consultation' by the respective bodies.
5. In mid-September, ASIC publicly released FAQs stating that entities may appoint different auditors for the audit of the financial report and the sustainability report under the Act. Two weeks later, the AUASB issued its final FAQ on some of the practical considerations for preparers and auditors (see FAQ 1 at [Sustainability Assurance - FAQs](#)).
6. A paper for the 11 August 2025 AUASB Board meeting contained a table of possible responses following the ASIC legal view (see Table 3 in Agenda Paper 2.1). Most of the matters in that table have been subsequently resolved. For example, the final AUASB FAQ addressed:
 - (a) an auditor's considerations on acceptance and continuance (see lines 1 and 10 in the table in FAQ 1);
 - (b) the entity's disclosure of fees to the auditors (see line 17 in the table in FAQ 1); and

- (c) some of the timing matters to be considered in completing the financial and sustainability reports, and assurance thereon (see line 10 in the table in FAQ 1).
7. However, some of the possible responses could not be discussed in the closed meeting on 11 August because they affect the contents of AUASB standards. Matters concerning the contents of standards are required to be discussed in public (see s236E(2) of the *Australian Securities and Investments Commission Act 2001*).
8. The possible responses not discussed would address feedback from a number of auditors in the 'soft consultation' on the draft AUASB FAQs. Feedback was provided that standards or guidance were needed concerning cooperation and information sharing between the two separate auditors (see Agenda Paper 2.2 for the 11 August 2025 AUASB Board meeting). These possible responses were as follows:

No.	Possible responses in 11 August 2025 Board paper	Next steps
1	Consider whether to amend ASSA 5000 and ASA 720 on other information where there are separate audit firms to require the firms to: (a) communicate to identify material inconsistencies and misstatements at all stages of the engagements; and (b) allow access to each other's working papers, subject to relevant conditions on use.	It is proposed that these matters be addressed as outlined in paragraph 10 below.
2	Possible additional AUASB FAQs: Encourage sharing of working papers where there are two auditors.	It is proposed that this matter be addressed as outlined in paragraph 10 below.
3	Add the following on work effort to key messages for preparers and auditors: - Work effort under a fair presentation framework and compliance framework are the same under ASSA 5000. Work effort and cost for assurance over sustainability information.	These matters are not directly related to having 'separate auditors' and will be covered by amendments to the AUASB's ' Sustainability Assurance - Key Messages ' webpage and/or elsewhere.

Matters for Discussion

9. This paper seeks the views of AUASB members on exposing proposed amendments to ASA 210, ASA 720 and ASSA 5000 as outlined in the table below:

No.	Area	Current requirements	Proposed amendments (see draft ED 03/25 in Agenda Paper 4.1)	Alternative approach considered
1	Acceptance and continuance	ASSA 5000 para 27 only requires a practitioner not to accept an engagement where the engaging party imposes a limitation on scope that will result in a disclaiming a conclusion, unless required by law or regulation to do so.	Add Aus paragraphs to ASSA 5000 and ASA 210 requiring an auditor or practitioner not to accept or continue with an engagement (unless required by law or regulation to do so) where there may be a limitation on scope that will result in disclaiming an opinion/conclusion where:	Line 9 in FAQ 1 already says that considerations for acceptance and continuance include the ability to access working papers of the other auditor/practitioner on a timely basis and whether the work is appropriate for the

No.	Area	Current requirements	Proposed amendments (see draft ED 03/25 in Agenda Paper 4.1)	Alternative approach considered
		Paragraph 7 of ASA 210 only requires an auditor not to accept an engagement where management or those charged with governance impose a limitation on scope that would result in disclaiming an opinion, unless required by law or regulation to do so.	(a) It is not possible to use the work of the other auditor/ practitioner because of limitations on accessing working papers on a timely basis or where the work is not expected to be appropriate for the auditor/ practitioner's own purposes; and (b) The engagement letter does not recognise that both auditors/ practitioners may need to access and assistance to perform assurance work on the same information.	auditor/ practitioner's own purposes.
2	Other information	ASSA 5000 para 174 only requires the auditor or assurance practitioner (practitioner) of the sustainability information in an annual report to communicate with the auditor of the financial report if there appears to be: (a) a material inconsistency between the sustainability information and the financial report; or (b) the financial report appears to be materially misstated (ASSA 5000 paras 174).	Add an Aus paragraph to ASSA 5000 requiring the practitioner to communicate with the auditor of the financial report at appropriate times throughout the assurance engagement with the objective of identifying material inconsistencies and misstatements. <i>Note: AUASB members raised concerns during the development of ISSA 5000 that the approach in ISSA 5000 was inadequate.</i>	An FAQ that encourages communication rather than a requirement in ASSA 5000. While not mandatory, ASSA 5000 para A279 may be sufficient. Par A279 says that communication at appropriate times during the assurance engagement may be useful in planning the engagement, identifying risks of misstatement and to discuss matters identified during the engagements. Authorisation from management may be needed to share the entity's information.
3	Other information	There is no requirement in ASA 720 for the auditor of the financial report to communicate with the	Add an Aus paragraph to ASA 720 requiring the auditor to communicate at appropriate times throughout the audit of	An FAQ that encourages communication rather than a requirement in ASSA 5000.

AUASB Agenda Paper

No.	Area	Current requirements	Proposed amendments (see draft ED 03/25 in Agenda Paper 4.1)	Alternative approach considered
		auditor or assurance practitioner (practitioner) of the sustainability information.	the financial report with the auditor of the sustainability information with the objective of identifying material inconsistencies and misstatements.	

10. It is proposed that any amendments should not apply until years commencing 1 January 2026.
11. Further explanation is provided in the Explanatory Memorandum in the draft ED 03/25 (Agenda Paper 4.1).

Materials Presented

Agenda Paper	Description
4.1	Draft ED 03/25 - Proposed Australian Sustainability Assurance Standard ASSA 2025-11 <i>Amendments to ASA 210, ASA 720 and ASSA 5000</i>



AUASB Agenda Paper

Title: Revised ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*

Date: 14 October 2025

Office of AUASB: See Wen Ewe

Agenda Item: 7.0

Objective of Agenda Item:

1. The objective of this Agenda Item is to seek Board's approval to issue:
 - (a) the revised ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*;
 - (b) AUASB 2025-6 *Amendments to Australian Auditing Standards*;
 - (c) the related Explanatory Statement; and
 - (d) conforming amendments to other AUASB standards not covered by AUASB 2025-6.

Questions for AUASB members

No.	Questions
1	Do AUASB members approve the amendment to ASA 101 <i>Preamble to AUASB Standards</i> (ASA 101) as outlined in paragraph 5 of this paper?
2	Do AUASB members approve the following draft documents for issue in final form: (a) ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i> (Agenda Paper 7.1); (b) AUASB 2025-6 <i>Amendments to Australian Auditing Standards</i> (Agenda Paper 7.2); (c) Explanatory Statement to ASA 240 and AUASB 2025-6 (Agenda Paper 7.3); and (d) Conforming Amendments to Other AUASB Standards (Agenda Paper 7.4)?
3	Do AUASB members have any comments on the draft ASA 240 Basis for Conclusions (Agenda Paper 7.5)?

Background and Previous Discussions on Topic

2. At the 9 July 2025 AUASB meeting, the AUASB approved in-principle:
 - (a) the revised ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*;
 - (b) AUASB 2025-6 *Amendments to Australian Auditing Standards*;
 - (c) the related Explanatory Statement; and
 - (d) confirming amendments to other AUASB standards not covered by AUASB 2025-6, subject to:
 - (i) any changes in the PIOB certified version of the equivalent IAASB standards;
 - (ii) further work on the use of 'enquire' versus 'inquire'; and
 - (iii) any editorials that may arise from quality reviews(see [Agenda Item 9 of 9 July 2025 meeting board pack](#) and [minutes of 9 July 2025 meeting](#) for more details).

Matters for AUASB Consideration

A. Terminology differences between IAASB standards and AUASB standards

3. The IAASB uses "inquire" throughout the entire suite of IAASB standards. The IAASB uses US English which does not have the word "enquire".

4. The AUASB has used “enquire” throughout the suite of AUASB Standards. This is consistent with NZAuASB Standards. Other standard setters that follow UK English including the UK Financial Reporting Council, the Canadian Auditing Standards Board, the Irish Auditing & Accounting Supervisory Authority, the Institute of Chartered Accountants of India and the Institute of Singapore Chartered Accountants use “inquire”.
5. ASA 101 sets out how AUASB Standards are to be understood, interpreted and applied. The Office of the AUASB proposes to address any possible questions about international consistency by amending ASA 101 to include the following sentence after existing paragraph 13 of ASA 101:

‘The term “enquire” or “enquiries” in a provision of an AUASB Standard has the same meaning as the term “inquire” or “inquiries” (as applicable) in the corresponding provision of any equivalent standard issued by the IAASB.’
6. The Office of the AUASB does not believe that public consultation is required on the basis that the public consultation in Australia used a wrap around to a draft ISA 240 that used the word ‘inquiries’ throughout rather than ‘enquiries’. The amendment to ASA 101 is included in amending standard AUASB 2025-8 (see agenda paper 8.0).

B. Amendments relating to PIE Track 2 project¹

7. The IAASB made two amendments in the Narrow Scope Amendments to the ISQMs, ISAs and ISRE 2400 (Revised) as a result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code to the application material paragraphs of ISA 240 (Revised) with the same operative date as ISA 240 (Revised).
8. The Office of the AUASB proposes including these amendments directly in the revised ASA 240 (i.e. rather than issuing the revised ASA 240 and a separate amending standard). These are marked up in Agenda Paper 7.1.
9. Other changes to ASA 240 post the July 2025 AUASB meeting have been marked up in Agenda Papers 7.1 and 7.2 which are editorial in nature due to the difference in paragraphs numbers after PIOB certification of ISA 240 (Revised).

C. Basis for Conclusions

10. The Office of the AUASB added the following paragraph on early adoption in the Basis for Conclusions consistent with the IAASB’s Basis for Conclusions:

‘Because of the potential confusion for users if auditors’ reports for the same or similar periods within the marketplace lack consistency, the AUASB believes that if early adoption is contemplated the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects should preferably be early adopted as a package, rather than on a piecemeal basis.’
11. As a result of this change, early adoption in AUASB 2025-6 has been removed. Changes are marked up in Agenda Paper 7.2.
12. While the Due Process Framework does not require the AUASB to approve the Basis for Conclusions, AUASB member feedback is welcomed. Changes post-July 2025 AUASB meeting are marked up in Agenda Paper 7.5.

NZ developments

13. The NZAuASB approved revised ISA (NZ) 240 *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements* at its August 2025 meeting. The issue of this standard, together with a refresh of a number of ISAs (NZ) that will be amended as a result, is being considered at its 8 October 2025 meeting.

Next steps

14. Subject to approval of AUASB members, the Office of the AUASB will lodge the approved documents to the Federal Register of Legislation. Compilation work will be performed together with compilation work for ASA 570 and PIE Track 2 due to the same operative date.

¹ See Agenda Paper 8 for more information.

Materials presented

Agenda paper	Description
7.1	Draft ASA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i> (Marked up from 9 July 2025 AUASB meeting version - mainly correction of cross-references to Application Material)
7.2	Draft AUASB 2025-6 <i>Amendments to Australian Auditing Standards</i> (Marked up from 9 July 2025 AUASB meeting version – see paragraph 11 above)
7.3	Draft explanatory statement - ASA 240 and AUASB 2025-6 (No changes from 9 July 2025 AUASB meeting version)
7.4	Draft conforming amendments to other AUASB standards (No changes from 9 July 2025 AUASB meeting version)
7.5	Draft basis for conclusions - ASA 240 and AUASB 2025-6 (Marked up from 9 July 2025 AUASB meeting version – see paragraph 10 above)

ASA 240
(~~July~~October 2025)

Auditing Standard ASA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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PREFACE

Reasons for Issuing ASA 240

The AUASB issues Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This Auditing Standard represents the Australian equivalent of ISA 240 (Revised 2025), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* and will replace the current ASA 240 issued by the AUASB in October 2009 (as amended to 27 April 2022).

This Auditing Standard contains differences from the ISA 240 (Revised 2025), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

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

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 240 (Revised 2025), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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

The following application and other explanatory material is additional to ISA 240:

- For an audit engagement under the *Corporations Act 2001* (the Act), the possibility of withdrawing from the engagement or resigning from the appointment as an auditor can only be made in accordance with the provisions of the Act, including in certain circumstances, obtaining consent to resign from the Australian Securities and Investments Commission (ASIC). (Ref: Para. Aus A175.1).
- Legislation may require the auditor or a member of the audit team to maintain the confidentiality of information disclosed to the auditor, or a member of the audit team, by a person regarding contraventions or possible contraventions of the law. In such circumstances, the auditor or a member of the audit team may be prevented from communicating that information to management or those charged with governance in order to protect the identity of the person who has disclosed confidential information that alleges a breach of the law. In such circumstances, the auditor may consider obtaining legal advice to assist in determining the appropriate course of action and may need to consider the implications for the audit engagement. (Ref: Para. Aus A195.1).
- An auditor is required by the *Corporations Act 2001* to notify the Australian Securities and Investments Commission (ASIC) if the auditor is aware of certain circumstances. (Ref: Para. Aus A202.1).

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 240 (Revised 2025).

AUDITING STANDARD ASA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

Application

Aus 0.1 This Auditing Standard applies to:

- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
- (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.

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

Operative Date

Aus 0.3 This Auditing Standard is operative for financial reporting periods beginning on or after 15 December 2026.

Introduction

Scope of this Auditing Standard

1. This Australian Standard on Auditing (ASA) deals with the auditor's responsibilities relating to fraud in an audit of a financial report and the implications for the auditor's report. The requirements and guidance in this ASA refer to, or expand on, the application of other relevant ASAs, in particular ASA 200,¹ ASA 220,² ASA 315,³ ASA 330,⁴ and ASA 701.⁵ Accordingly, this ASA is intended to be applied in conjunction with other relevant ASAs.

Responsibilities of the Auditor, Management and Those Charged with Governance

Responsibilities of the Auditor

2. The auditor's responsibilities relating to fraud when conducting an audit in accordance with this ASA, and other relevant ASAs, are to: (Ref: Para. A1)
 - (a) Plan and perform the audit to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement due to fraud. These responsibilities include identifying and assessing risks of material misstatement in the financial report due to fraud and designing and implementing responses to address those assessed risks.
 - (b) Communicate and report about matters related to fraud.

¹ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

² See ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

³ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

⁴ See ASA 330 *The Auditor's Responses to Assessed Risks*.

⁵ See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

Responsibilities of Management and Those Charged with Governance

3. The primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the entity. It is important that management, with the oversight of those charged with governance, place a strong emphasis on fraud prevention, which may reduce opportunities for fraud to take place, and fraud deterrence, which could persuade individuals not to commit fraud because of the likelihood of detection and punishment. This involves a commitment to creating and maintaining a culture of honesty and ethical behaviour that can be reinforced by active oversight by those charged with governance. Oversight by those charged with governance includes considering the potential for override of controls or other inappropriate influence over the financial reporting process, such as efforts by management to manipulate earnings in order to influence the perceptions of financial report users regarding the entity's performance.

Key Concepts in this ASA

Characteristics of Fraud

4. Misstatements in the financial report can arise from either fraud or error. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of the financial report is intentional or unintentional.
5. Two types of intentional misstatements are relevant to the auditor – misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. (Ref: Para. A2–A6)

Fraud or Suspected Fraud

6. Although fraud is a broad legal concept, for the purposes of the ASAs, the auditor is concerned with a material misstatement of the financial report due to fraud. Although the auditor may identify or suspect the occurrence of fraud as defined by this ASA, the auditor does not make legal determinations of whether fraud has actually occurred.
7. The auditor may identify fraud or suspected fraud when performing audit procedures in accordance with this and other ASAs. Suspected fraud includes allegations of fraud that come to the auditor's attention during the course of the audit. (Ref: Para. A7–A10 and [A27A28](#))
8. The auditor's determination of whether a fraud or suspected fraud is material to the financial report involves the exercise of professional judgement. For identified misstatement(s) due to fraud, this includes consideration of the nature of the circumstances giving rise to the fraud. Judgements about materiality involve both qualitative and quantitative considerations. (Ref: Para. A11)

Inherent Limitations

9. While the risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, that does not diminish the auditor's responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement due to fraud. Reasonable assurance is a high, but not absolute, level of assurance.⁶
10. Because of the significance of the inherent limitations of an audit as it relates to fraud, there is an unavoidable risk that some material misstatements of the financial report may not be detected, even though the audit is properly planned and performed in accordance with the

⁶ See ASA 200, paragraph 5.

Auditing Standard ASA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

ASAs.⁷ However, the inherent limitations of an audit are not a justification for the auditor to be satisfied with less than persuasive audit evidence.⁸ (Ref: Para. A12)

11. Furthermore, the risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud because management is frequently in a position to directly or indirectly manipulate accounting records, present fraudulent financial information, or override controls designed to prevent similar frauds by other employees.

Professional Scepticism and Professional Judgement

12. In accordance with ASA 200,⁹ the auditor is required to plan and perform the audit with professional scepticism and to exercise professional judgement. The auditor is required by this ASA to remain alert to the possibility that other audit procedures performed may bring information about fraud or suspected fraud to the auditor's attention. Accordingly, it is important that the auditor maintain professional scepticism throughout the audit, considering the potential for management override of controls, and recognising that audit procedures that are effective for detecting error may not be effective in detecting fraud.
13. Professional judgement is exercised in making informed decisions about the courses of action that are appropriate in the circumstances, including when the auditor identifies fraud or suspected fraud. Professional scepticism supports the quality of judgements made by the engagement team and, through these judgements, supports the overall effectiveness of the engagement team in achieving quality at the engagement level. (Ref: Para. A13–A14)

Non-Compliance with Laws and Regulations

14. For the purposes of this and other relevant ASAs, fraud ordinarily constitutes an instance of non-compliance with laws and regulations. As such, if the auditor identifies fraud or suspected fraud, the auditor also has responsibilities in accordance with ASA 250.¹⁰ (Ref: Para. A15–A16A17)

Relationship with Other ASAs

15. Some ASAs that address specific topics also have requirements and guidance that are applicable to the auditor's work on the identification and assessment of the risks of material misstatement due to fraud and responses to address such assessed risks of material misstatement due to fraud. In these instances, the other ASAs expand on how this ASA is applied. (Ref: Para. A17A18)

Effective Date

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

Objectives

17. The objectives of the auditor are:
 - (a) To identify and assess the risks of material misstatement of the financial report due to fraud;
 - (b) To obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses;

⁷ See ASA 200, paragraphs A53A56–A54A57.

⁸ See ASA 200, paragraph A54A57.

⁹ See ASA 200, paragraphs 15–16.

¹⁰ See ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*.

- (c) To respond appropriately to fraud or suspected fraud identified during the audit; and
- (d) To report in accordance with this ASA.

Definitions

18. For purposes of the ASAs, the following terms have the meanings attributed below:
- (a) Fraud – An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage. (Ref: Para. [A18A19–A22A23](#))
 - (b) Fraud risk factors – Events or conditions that indicate an incentive or pressure to commit fraud, or provide an opportunity to commit fraud, or an attitude or rationalisation that justifies the fraudulent action. (Ref: Para. [A23A24–A25A26](#))

Requirements

Professional Scepticism

19. In applying ASA 200,¹¹ the auditor shall maintain professional scepticism throughout the audit, recognising the possibility that a material misstatement due to fraud could exist. (Ref: Para. [A26A27](#))
20. The auditor shall remain alert throughout the audit for information that indicates that one or more fraud risk factors are present and circumstances that may be indicative of fraud or suspected fraud. (Ref: Para. [A27A28–A31A32](#))
21. Where responses to enquiries of management, those charged with governance, individuals within the internal audit function, or others within the entity are inconsistent, the auditor shall investigate the inconsistencies. (Ref: Para. [A32A33](#))
22. If conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further. (Ref: Para. [A33A34–A36A37](#))

Engagement Resources

23. In applying ASA 220,¹² the engagement partner shall determine that members of the engagement team collectively have the appropriate competence and capabilities, including sufficient time and appropriate specialised skills or knowledge to perform risk assessment procedures, identify and assess the risks of material misstatement due to fraud, design and perform further audit procedures to respond to those risks, or evaluate the audit evidence obtained. (Ref: Para. [A37A38–A41A42](#))

Engagement Performance

24. In applying ASA 220,¹³ the engagement partner shall determine that the nature, timing and extent of direction, supervision and review is responsive to the nature and circumstances of the audit engagement, considering matters identified during the course of the audit engagement, including: (Ref: Para. [A42A43](#))
- (a) Fraud risk factors;

¹¹ See ASA 200, paragraph 15.

¹² See ASA 220, paragraphs 25–28.

¹³ See ASA 220, paragraph 30(b).

- (b) Fraud or suspected fraud; and
- (c) Control deficiencies related to the prevention or detection of fraud.

Ongoing Nature of Communications with Management and Those Charged with Governance

25. The auditor shall communicate with management and those charged with governance matters related to fraud at appropriate times throughout the audit engagement. (Ref: Para. ~~A43A44–A47A48~~)

Risk Assessment Procedures and Related Activities

26. In applying ASA 315,¹⁴ the auditor shall perform the procedures in paragraphs 27–38. In doing so, the auditor shall consider whether one or more fraud risk factors are present. (Ref: Para. ~~A48A49~~)

Information from Other Sources

27. In applying ASA 315,¹⁵ the auditor shall consider whether information from other sources obtained by the auditor indicates that one or more fraud risk factors are present. (Ref: Para. ~~A49A50–A50A51~~)

Retrospective Review of the Outcome of Previous Accounting Estimates

28. In applying ASA 540,¹⁶ the auditor shall perform a retrospective review of management judgements and assumptions related to the outcome of previous accounting estimates, or where applicable, their subsequent re-estimation to assist in identifying and assessing the risks of material misstatement due to fraud in the current period. In doing so, the auditor shall take into account the characteristics of the accounting estimates in determining the nature and extent of that review. (Ref: Para. ~~A51A52~~)

Engagement Team Discussion

29. In applying ASA 315,¹⁷ when holding the engagement team discussion, the engagement partner and other key engagement team members shall place particular emphasis on how and where the entity's financial report may be susceptible to material misstatement due to fraud, including how fraud may occur. In doing so, the engagement team discussion shall include: (Ref: Para. ~~A42A43, A52A53–A53–A54 and A58A59~~)

- (a) An exchange of ideas about:
 - (i) The entity's culture, management's commitment to integrity and ethical values, and related oversight by those charged with governance; (Ref: Para. ~~A54A55~~)
 - (ii) Fraud risk factors, including: (Ref: Para. ~~A55A56–A56A57~~)
 - a. Incentives or pressures on management, those charged with governance, or employees to commit fraud;
 - b. How one or more individuals among management, those charged with governance, or employees could perpetrate and conceal fraudulent financial reporting; and

¹⁴ See ASA 315, paragraphs 13–~~26~~27.

¹⁵ See ASA 315, paragraphs 15–16.

¹⁶ See ASA 540 *Auditing Accounting Estimates and Related Disclosures*, paragraph 14.

¹⁷ See ASA 315, paragraphs 17 and A42–A43.

- c. How assets of the entity could be misappropriated by management, those charged with governance, employees or third parties.
- (iii) Which types of revenue, revenue transactions or relevant assertions may give rise to the risks of material misstatement due to fraud in revenue recognition; and
- (iv) How management may be able to override controls. (Ref: Para. ~~A57A58~~)
- (b) A consideration of any fraud or suspected fraud that may impact the overall audit strategy and audit plan, including fraud that has occurred at the entity during the current or prior years.

Analytical Procedures Performed and Unusual or Unexpected Relationships Identified

30. The auditor shall determine whether unusual or unexpected relationships that have been identified in performing analytical procedures, including those related to revenue accounts, may indicate risks of material misstatement due to fraud. (Ref: Para. ~~A59A60~~)

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

Understanding the Entity and Its Environment, and the Applicable Financial Reporting Framework

31. In applying ASA 315,¹⁸ based on the auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's accounting policies, the auditor shall obtain an understanding of matters that may lead to an increased susceptibility to misstatement due to management bias or other fraud risk factors. (Ref: Para. ~~A60A61–A69A70~~)

Understanding the Components of the Entity's System of Internal Control

Control Environment

32. In applying ASA 315,¹⁹ the auditor shall:
- (a) Obtain an understanding of:
 - (i) How management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values, including how management communicates with its employees its views on business practices and ethical behaviour with respect to the prevention and detection of fraud. (Ref: Para. ~~A70A71–A74A72~~)
 - (ii) The entity's whistleblower program (or other program to report fraud), if the entity has such a program, including how management and, if applicable, those charged with governance address allegations of fraud made through the program. (Ref: Para. ~~A72A73–A74A75~~)
 - (iii) How those charged with governance exercise oversight of management's processes for identifying and responding to the fraud risks and the controls that management has established to address these risks. (Ref: Para. ~~A75A76–A78A79~~)

¹⁸ See ASA 315, paragraph 19.

¹⁹ See ASA 315, paragraph 21.

- (b) Make enquiries of management regarding management's communications with those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.
- (c) Make enquiries of those charged with governance about: (Ref: Para. ~~A79A80–A81A82~~)
 - (i) Whether they have knowledge of any fraud or suspected fraud including allegations of fraud, including those received from tips or complaints, affecting the entity, and if so, how they have responded to such matters;
 - (ii) Their views about whether and how the financial report may be materially misstated due to fraud, including their views on possible areas that are susceptible to misstatement due to management bias or management fraud; and
 - (iii) Whether they are aware of deficiencies in the system of internal control related to the prevention and detection of fraud, and the remediation efforts to address such deficiencies.

The Entity's Risk Assessment Process

33. In applying ASA 315,²⁰ the auditor shall:

- (a) Obtain an understanding of how the entity's risk assessment process: (Ref: Para. ~~A82A83–A90A91, A106A107~~)
 - (i) Identifies fraud risks related to the misappropriation of assets and fraudulent financial reporting, including any classes of transactions, account balances, or disclosures for which risks of fraud exist;
 - (ii) Assesses the significance of the identified fraud risks, including the likelihood of their occurrence; and
 - (iii) Addresses the assessed fraud risks.
- (b) Make enquiries of management and of other appropriate individuals within the entity about: (Ref: Para. ~~A91A92–A94A95~~)
 - (i) Whether they have knowledge of any fraud or suspected fraud, including allegations of fraud, affecting the entity; and
 - (ii) Their views about whether and how the financial report may be materially misstated due to fraud.

The Entity's Process to Monitor the System of Internal Control

34. In applying ASA 315,²¹ the auditor shall:

- (a) Obtain an understanding of:
 - (i) Aspects of the entity's process to monitor the system of internal control that address the ongoing and separate evaluations for monitoring the effectiveness of controls to prevent or detect fraud, and the identification and remediation of related control deficiencies identified; and (Ref: Para. ~~A95A96~~)

²⁰ See ASA 315, paragraph 22.

²¹ See ASA 315, paragraph 24.

- (ii) If the entity has an internal audit function, the internal audit function's objectives in respect of monitoring controls over risks of fraud.
- (b) If the entity has an internal audit function, make enquiries of appropriate individuals within the internal audit function about whether: (Ref: Para. ~~A96A97–A97A98~~)
 - (i) They have performed any procedures in respect of monitoring controls over risks of fraud during the period;
 - (ii) They have knowledge of any fraud or suspected fraud, including allegations of fraud, affecting the entity and to obtain their views about the risks of fraud; and
 - (iii) They are aware of deficiencies in the system of internal control related to the prevention and detection of fraud.

The Information System and Communication

35. In applying ASA 315,²² the auditor's understanding of the entity's information system and communication relevant to the preparation of the financial report shall include understanding how journal entries and other adjustments are initiated, processed, recorded, and corrected as necessary. (Ref: Para. ~~A98A99–A100A101~~)

Control Activities

36. In applying ASA 315,²³ the auditor's understanding of the entity's control activities shall include identifying controls that address risks of material misstatement due to fraud at the assertion level, including controls over journal entries and other adjustments, designed to prevent or detect fraud. (Ref: Para. ~~A101A102–A106A107~~)

Control Deficiencies Within the Entity's System of Internal Control

37. In applying ASA 315,²⁴ based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether there are deficiencies in internal control identified that are relevant to the prevention or detection of fraud. (Ref: Para. ~~A107A108–A108A109~~)

Evaluation of Fraud Risk Factors

38. The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures and related activities indicates that one or more fraud risk factors are present. (Ref: Para. ~~A23A24–A25–A26~~ and ~~A109A110–A111A112~~)

Identifying and Assessing the Risks of Material Misstatement due to Fraud

39. In applying ASA 315,²⁵ the auditor shall:
- (a) Identify and assess the risks of material misstatement due to fraud and determine whether they exist at the financial report level, or the assertion level for classes of transactions, account balances and disclosures, taking into account fraud risk factors. (Ref: Para. ~~A112A113–A113A114, A114A116~~)
 - (b) Treat those assessed risks of material misstatement due to fraud as significant risks. Accordingly, to the extent not already done so, the auditor shall identify controls that

²² See ASA 315, paragraph 25.

²³ See ASA 315, paragraph 26.

²⁴ See ASA 315, paragraph 27.

²⁵ See ASA 315, paragraphs 28–34.

address such significant risks, evaluate whether they have been designed effectively to address the risks of material misstatement, or designed effectively to support the operation of other controls, and determine whether they have been implemented. (Ref: Para. ~~A113A115~~)

Risks of Material Misstatement Due to Fraud Related to Management Override of Controls

40. Due to the unpredictable way in which management is able to override controls and irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall: (Ref: Para. ~~A115A117–A116A118~~)
- (a) Treat the risks of management override of controls as risks of material misstatement due to fraud at the financial report level; and
 - (b) Determine whether such risks affect the assessment of risks at the assertion level.

Risks of Material Misstatement Due to Fraud in Revenue Recognition

41. When identifying and assessing the risks of material misstatement due to fraud, the auditor shall, based on a presumption that there are risks of material misstatement due to fraud in revenue recognition, determine which types of revenue, revenue transactions or relevant assertions give rise to such risks, taking into account related fraud risk factors. (Ref: Para. ~~A117A119–A123A125~~)

Responses to the Assessed Risks of Material Misstatement Due to Fraud

Designing and Performing Audit Procedures in a Manner That Is Not Biased

42. The auditor shall design and perform audit procedures in response to the assessed risks of material misstatement due to fraud in a manner that is not biased towards obtaining audit evidence that may corroborate management's assertions or towards excluding audit evidence that may contradict such assertions.

Unpredictability in the Selection of Audit Procedures

43. In determining responses to address assessed risks of material misstatement due to fraud, the auditor shall incorporate an element of unpredictability in the selection of the nature, timing and extent of audit procedures. (Ref: Para. ~~A124A126–A125A127~~)

Overall Responses

44. In accordance with ASA 330,²⁶ the auditor shall determine overall responses to address the assessed risks of material misstatement due to fraud at the financial report level. (Ref: Para. ~~A126A128~~)
45. In determining overall responses to address the assessed risks of material misstatement due to fraud at the financial report level, the auditor shall evaluate whether the selection and application of accounting policies by the entity, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

²⁶ See ASA 330, paragraph 5.

Auditing Standard ASA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

Audit Procedures Responsive to the Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level

46. In accordance with ASA 330,²⁷ the auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement due to fraud at the assertion level. (Ref: Para. ~~A127A129~~ ~~A133A135~~)

Audit Procedures Responsive to Risks of Material Misstatement Due to Fraud Related to Management Override of Controls

47. Irrespective of the auditor's assessment of the risks of management override of controls, the auditor shall design and perform the audit procedures in accordance with paragraphs 48–52, and determine whether other audit procedures are needed in addition to those in paragraphs 48–52, in order to respond to the identified risks of management override of controls.

Journal Entries and Other Adjustments

48. The auditor shall design and perform audit procedures to test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial report. (Ref: Para. ~~A134A136~~ ~~A137A139~~)
49. In designing and performing audit procedures in accordance with paragraph 48, the auditor shall: (Ref: Para. ~~A98A99~~)
- (a) Make enquiries of individuals involved in the financial reporting process about their knowledge of inappropriate or unusual activity relating to the processing of journal entries and other adjustments;
 - (b) Obtain audit evidence about the completeness of the population of journal entries and other adjustments made throughout the period; (Ref: Para. ~~A138A140~~ and ~~A145A147~~)
 - (c) Select journal entries and other adjustments made at the end of a reporting period; and (Ref: Para. ~~A139A141~~ ~~A141A143~~, ~~A142A144~~ and ~~A144A146~~ ~~A145A147~~)
 - (d) Determine the need to test journal entries and other adjustments made throughout the period. (Ref: Para. ~~A140A142~~ ~~A141A143~~ and ~~A143A145~~ ~~A144A146~~)

Accounting Estimates

50. In applying ASA 540,²⁸ if indicators of possible management bias are identified, the auditor shall evaluate whether they may represent a risk of material misstatement due to fraud. (Ref: Para. ~~A146A148~~ ~~A148A150~~)
51. In performing the evaluation in accordance with paragraph 50, the auditor shall:
- (a) Consider the audit evidence obtained from the retrospective review performed in accordance with paragraph 28; and
 - (b) If indicators of possible management bias are identified, re-evaluate the accounting estimates taken as a whole. (Ref: Para. ~~A148A150~~ ~~A150A152~~)

Significant Transactions Outside the Normal Course of Business or Otherwise Appear Unusual

52. For significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual given the auditor's understanding of the entity and its

²⁷ See ASA 330, paragraph 6.

²⁸ See ASA 540, paragraph 32.

environment and information from other sources obtained during the audit, the auditor shall evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. (Ref: Para. ~~A154~~A153)

Analytical Procedures Performed Near the End of the Audit in Forming an Overall Conclusion

53. In applying ASA 520,²⁹ the auditor shall determine whether the results of analytical procedures that are performed near the end of the audit, when forming an overall conclusion as to whether the financial report is consistent with the auditor's understanding of the entity, indicate a previously unrecognised risk of material misstatement due to fraud. (Ref: Para. ~~A152~~A154 ~~A153~~A155)

Overall Evaluation Based on Audit Procedures Performed

54. In applying ASA 330,³⁰ the auditor shall evaluate, based on the audit procedures performed and audit evidence obtained, whether:
- (a) The assessments of the risks of material misstatement due to fraud remain appropriate; and
 - (b) Sufficient appropriate audit evidence has been obtained in response to the assessed risks of material misstatement due to fraud.

Fraud or Suspected Fraud (Ref: Para. A7–A11, ~~A27~~A28 and ~~A154~~A156–~~A170~~A172)

55. If the auditor identifies fraud or suspected fraud, the auditor shall obtain an understanding of the matter(s) in order to determine the effect on the audit engagement. In doing so, the auditor shall: (Ref: Para. ~~A156~~A158 ~~A160~~A162)
- (a) Make enquiries about the matter(s) with the appropriate level of management and, when appropriate in the circumstances, make enquiries about the matter(s) with those charged with governance;
 - (b) If the entity has a process to investigate the matter(s), evaluate whether it is appropriate in the circumstances; and
 - (c) If the entity has implemented remedial actions to respond to the matter(s), evaluate whether they are appropriate in the circumstances.
56. Except for fraud or suspected fraud determined by the auditor to be clearly inconsequential based on the procedures performed in paragraph ~~54~~55, the engagement partner shall: (Ref: Para. ~~A161~~A163 ~~A163~~A165)
- (a) Determine whether:
 - (i) To perform additional risk assessment procedures to provide an appropriate basis for the identification and assessment of the risks of material misstatement due to fraud in accordance with ASA 315;
 - (ii) To design and perform further audit procedures to appropriately respond to the risks of material misstatement due to fraud in accordance with ASA 330; and

²⁹ See ASA 520, *Analytical Procedures*, paragraph 6.

³⁰ See ASA 330, paragraphs 25–26, A62–A64.

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- (iii) There are additional responsibilities for the auditor under law, regulation or relevant ethical requirements about the entity's non-compliance with laws or regulations in accordance with ASA 250.
- (b) If applicable, consider the impact on prior period audits.
57. If the auditor identifies a misstatement due to fraud, the auditor shall: (Ref: Para. ~~A164~~A166–A170A172)
- (a) Determine whether the identified misstatement is material by considering the nature of the qualitative or quantitative circumstances giving rise to the misstatement;
 - (b) Determine whether control deficiencies exist, including significant deficiencies in internal control related to the prevention or detection of fraud, relating to the identified fraud or suspected fraud;
 - (c) Determine the implications of the misstatement in relation to other aspects of the audit, including when the auditor has reason to believe that management is involved; and
 - (d) Reconsider the reliability of management's representations and audit evidence previously obtained, including when the circumstances or conditions giving rise to the misstatement indicate possible collusion involving employees, management or third parties.
58. If the auditor determines that the financial report is materially misstated due to fraud or the auditor is unable to obtain sufficient appropriate audit evidence to enable the auditor to conclude whether the financial report is materially misstated due to fraud, the auditor shall:
- (a) Determine the implications for the audit and the auditor's opinion on the financial report in accordance with ASA 705;³¹ and
 - (b) If appropriate, obtain advice from legal counsel.

Auditor Unable to Continue the Audit Engagement

59. If, as a result of a misstatement resulting from fraud or suspected fraud, the auditor encounters exceptional circumstances that bring into question the auditor's ability to continue performing the audit engagement, the auditor shall:
- (a) Determine the professional and legal responsibilities applicable in the circumstances, including whether there is a requirement for the auditor to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities;
 - (b) Consider whether it is appropriate to withdraw from the engagement, where withdrawal is possible under applicable law or regulation;
 - (c) If the auditor withdraws:
 - (i) Discuss with the appropriate level of management and those charged with governance the auditor's withdrawal from the engagement and the reasons for the withdrawal; and
 - (ii) Determine whether there is a professional or legal requirement to report to the person or persons who made the audit appointment or, in some cases, to

³¹ See ASA 705, *Modifications to the Opinion in the Independent Auditor's Report*.

regulatory authorities, the auditor's withdrawal from the engagement and the reasons for the withdrawal; and (Ref: Para. ~~A171A173~~ ~~A174A176~~)

- (d) Where law or regulation prohibits the auditor from withdrawing from the engagement, consider whether the exceptional circumstances will result in a disclaimer of opinion on the financial report.

Auditor's Report

Determining Key Audit Matters Related to Fraud

60. In applying ASA 701,³² the auditor shall determine, from the matters related to fraud communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following: (Ref: Para. ~~A175A177~~ ~~A181A183~~)
- (a) Identified and assessed risks of material misstatement due to fraud;
 - (b) The identification of fraud or suspected fraud; and
 - (c) The identification of significant deficiencies in internal control that are relevant to the prevention and detection of fraud.
61. In applying ASA 701,³³ the auditor shall determine which of the matters determined in accordance with paragraph ~~59-60~~ were of most significance in the audit of the financial report of the current period and therefore are key audit matters. (Ref: Para. ~~A182A184~~ ~~A184A186~~)

Communicating Key Audit Matters Related to Fraud

62. In applying ASA 701,³⁴ in the Key Audit Matters section of the auditor's report, the auditor shall use an appropriate subheading that clearly describes that the matter relates to fraud. (Ref: Para. ~~A185A187~~ ~~A190A192~~)

Written Representations

63. The auditor shall obtain written representations from management and, where appropriate, those charged with governance that: (Ref: Para. ~~A191A193~~ ~~A192A194~~)
- (a) They acknowledge their responsibility for the design, implementation, and maintenance of internal control to prevent or detect fraud and have appropriately fulfilled those responsibilities;
 - (b) They have disclosed to the auditor the results of management's assessment of the risk that the financial report may be materially misstated as a result of fraud;
 - (c) They have disclosed to the auditor their knowledge of any fraud or suspected fraud, including allegations of fraud, affecting the entity involving:
 - (i) Management;
 - (ii) Employees who have significant roles in internal control; or
 - (iii) Others where the fraud could have an effect on the financial report; and

³² See ASA 701, paragraph 9.

³³ See ASA 701, paragraph 10.

³⁴ See ASA 701, paragraph 11.

- (d) They have disclosed to the auditor their knowledge of suspected fraud, including allegations of fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators, or others.

Communications with Management and Those Charged with Governance

Communication with Management

64. If the auditor identifies fraud or suspected fraud, the auditor shall communicate these matters, unless prohibited by law or regulation, on a timely basis with the appropriate level of management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (Ref: Para. ~~A193~~A195–~~A194~~A196)

Communication with Those Charged with Governance

65. Unless all of those charged with governance are involved in managing the entity, if the auditor identifies fraud or suspected fraud, involving:

- (a) Management;
- (b) Employees who have significant roles in internal control; or
- (c) Others, except for matters that are clearly inconsequential,

the auditor shall communicate these matters with those charged with governance on a timely basis. If the auditor identifies suspected fraud involving management, the auditor shall communicate the suspected fraud with those charged with governance and discuss with them the nature, timing, and extent of audit procedures necessary to complete the audit. Such communications with those charged with governance are required unless the communication is prohibited by law or regulation. (Ref: Para. ~~A193~~A195 and ~~A195~~A197–~~A197~~A199)

66. The auditor shall communicate, unless prohibited by law or regulation, with those charged with governance any other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance. (Ref: Para. ~~A193~~A195 and ~~A198~~A200)

Reporting to an Appropriate Authority Outside the Entity

67. If the auditor identifies fraud or suspected fraud, the auditor shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. ~~A199~~A201–~~A203~~A205)
- (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

68. In applying ASA 230,³⁵ the auditor shall include the following in the audit documentation: (Ref: Para. ~~A204~~A206)
- (a) The matters discussed among the engagement team regarding the susceptibility of the entity's financial report to material misstatement due to fraud in accordance with paragraph 29.

³⁵ See ASA 230, *Audit Documentation*, paragraphs 8–11, A6–A7 and Appendix.

- (b) Key elements of the auditor's understanding in accordance with paragraphs 31–36, the sources of information from which the auditor's understanding was obtained and the risk assessment procedures performed.
- (c) The identified and assessed risks of material misstatement due to fraud at the financial report level and at the assertion level, and the rationale for the significant judgements made.
- (d) If the auditor has concluded that the presumption that a risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, the reasons for that conclusion.
- (e) The results of audit procedures performed to address the risks of management override of controls, the significant professional judgements made, and the conclusions reached.
- (f) Fraud or suspected fraud identified, the results of audit procedures performed, the significant professional judgements made, and the conclusions reached.
- (g) The matters related to fraud or suspected fraud communicated with management, those charged with governance, regulatory and enforcement authorities, and others, including how management, and where applicable, those charged with governance have responded to the matters.

* * *

Application and Other Explanatory Material

Responsibilities of the Auditor, Management and Those Charged with Governance

Responsibilities of the Auditor (Ref: Para. 2)

Considerations Specific to Public Sector Entities

- A1. The public sector auditor's responsibilities relating to fraud may be a result of law, regulation or other authority applicable to public sector entities or separately covered by the auditor's mandate. Consequently, the public sector auditor's responsibilities may not be limited to consideration of risks of material misstatement of the financial report but may also include a broader responsibility to consider risks of fraud.

Key Concepts in this ASA

Characteristics of Fraud (Ref: Para. 5)

- A2. Fraud, whether fraudulent financial reporting or misappropriation of assets, involves incentive or pressure to commit fraud, a perceived opportunity to do so and some rationalisation of the act.

Examples:

- Incentive or pressure to commit fraudulent financial reporting may exist when management is under pressure, from sources outside or inside the entity, to achieve an expected (and perhaps unrealistic) earnings target or financial outcome — particularly when the consequences to management for failing to meet financial goals can be significant. Similarly, individuals may have an incentive to misappropriate assets — for example, because the individuals are living beyond their means.
- A perceived opportunity to commit fraud may exist when an individual believes controls can be overridden, for example, because the individual is in a position of trust or has knowledge of specific control deficiencies.
- Individuals may rationalise committing a fraudulent act as they may possess an attitude, character or set of ethical values that allow them to knowingly and intentionally commit a dishonest act. However, even otherwise honest individuals can commit fraud in an environment that imposes sufficient pressure on them.

- A3. Fraudulent financial reporting involves intentional misstatements, including omissions of amounts or disclosures in financial report, to deceive financial report users. It can be caused by the efforts of management to manage earnings to deceive financial report users by influencing their perceptions as to the entity's performance and profitability. Such earnings management may start out with small actions, or adjustment of assumptions, and changes in judgements by management. Pressures and incentives may lead these actions to increase to the extent that they result in material fraudulent financial reporting.

Examples:

- Management intentionally takes positions that lead to fraudulent financial reporting by materially misstating the financial report due to pressures to meet market expectations or a desire to maximise compensation based on performance.
- Management reduces earnings by a material amount to minimise tax.
- Management inflates earnings to secure bank financing.

- In the public sector, misreporting of revenues or underreporting of expenditures, especially when such expenditures are subject to statutory limits.

A4. Fraudulent financial reporting may be accomplished by the following:

- Manipulation, falsification (including forgery), or alteration of accounting records or supporting documentation from which the financial report is prepared.
- Misrepresentation in, or intentional omission from, the financial report of events, transactions or other significant information.
- Intentional misapplication of the applicable financial reporting framework relating to amounts, classification, manner of presentation, or disclosure.

A5. Fraudulent financial reporting often involves management override of controls that otherwise may appear to be operating effectively. Fraud can be committed by management overriding controls using such techniques as intentionally:

- Recording fictitious journal entries to manipulate operating results or achieve other objectives.
- Inappropriately adjusting assumptions and changing judgements used to estimate account balances.
- Omitting, advancing or delaying recognition in the financial report of events and transactions that have occurred during the reporting period.
- Misstating disclosures, including omitting and obscuring disclosures, required by the applicable financial reporting framework, or disclosures that are necessary to achieve fair presentation.
- Concealing facts that could affect the amounts recorded in the financial report.
- Engaging in complex transactions that are structured to misrepresent the financial position or financial performance of the entity.
- Altering records and terms related to transactions.
- Altering reports that would highlight inappropriate activity or transactions.
- Taking advantage of inadequate information processing controls in information technology (IT) applications, including controls over and review of IT application event logs (e.g., modifying the application logic, or where users can access a common database using generic access identification, or modify access identification, to conceal activity).

A6. Misappropriation of assets involves the theft of an entity's assets and is often perpetrated by employees in relatively small and immaterial amounts. However, it can also involve management, who are usually better positioned to disguise or conceal misappropriations in ways that are difficult to detect. In addition, misappropriation of assets can involve third parties who are able to exploit the entity's assets in order to obtain an unjust or illegal advantage. Misappropriation of assets can be accomplished in a variety of ways and is often accompanied by false or misleading records or documents in order to conceal the fact that the assets are missing or have been pledged without proper authorisation.

Examples:

- Embezzling funds (e.g., misappropriating collections of accounts receivable or diverting receipts in respect of written-off accounts to personal bank accounts).
- Theft of assets (e.g., stealing inventory for personal use, stealing scrap for resale, theft of digital assets by exploiting a private key and in doing so allowing the perpetrator to control the entity's funds, theft of intellectual property by colluding with a competitor to disclose technological data in return for payment).
- Causing an entity to pay for goods and services not received (e.g., payments to fictitious suppliers, kickbacks paid by suppliers to the entity's purchasing agents in return for approving payment for inflated prices, or payments to fictitious employees).
- Using an entity's assets for personal use (e.g., using the entity's assets as collateral for a personal loan or a loan to a related party).

Fraud or Suspected Fraud (Ref: Para. 7, 8 and ~~5455–5758~~)

- A7. Audit evidence obtained when performing risk assessment procedures and further audit procedures in accordance with this ASA may indicate the existence of fraud or suspected fraud.

Examples:

- When obtaining an understanding of the entity's whistleblower program, the auditor identified a tip submitted to the entity's fraud reporting hotline which alleged that management had inflated earnings by entering into transactions with related parties which lacked a business purpose.
- When performing further audit procedures to respond to assessed risks of material misstatement due to fraud at the assertion level for inventory, the auditor obtained audit evidence that indicated the possible misappropriation of products from the entity's warehouse by employees.

- A8. Audit procedures performed to comply with other ASAs may also bring instances of fraud or suspected fraud to the auditor's attention including, for example, those performed in accordance with ASA 600³⁶ when responding to assessed risks of material misstatement due to fraud arising from the consolidation process.
- A9. The auditor may use automated tools and techniques to perform audit procedures related to identifying and assessing the risks of material misstatement due to fraud or when responding to assessed risks of material misstatement due to fraud. This may allow the auditor to evaluate large amounts of data more easily to, for example, provide deeper insights or identify unusual trends, which enhances the ability of the auditor to exercise professional scepticism and more effectively challenge management's assertions. The auditor may also use automated tools and techniques to perform audit procedures related to journal entry testing in a more efficient and effective manner. However, the use of automated tools and techniques does not replace the need to maintain professional scepticism and to exercise professional judgement throughout the audit.
- A10. For the purpose of this ASA, allegations of fraud by another party involving the entity are treated by the auditor as suspected fraud once the allegations have come to the auditor's attention (e.g., identified as a result of enquiries made by the auditor of management, or when obtaining an understanding of the entity's whistleblower program (or other program to report

³⁶ See ASA 600, *Special Considerations — Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraph 38(d).

fraud)). The party making the allegations may be internal or external to the entity. Accordingly, the auditor performs audit procedures in accordance with paragraphs ~~54-55~~ 57-58 to address the suspected fraud.

- A11. Even when an identified misstatement due to fraud is not quantitatively material, it may be qualitatively material depending on:
- (a) Who instigated or perpetrated the fraud – an otherwise insignificant fraud perpetrated by senior management, or a public official is ordinarily considered qualitatively material irrespective of the amount involved. This may in turn give rise to concerns about the integrity of management responsible for the entity's system of internal control.
 - (b) Why the fraud was perpetrated – misstatements that are not material quantitatively, either individually or in the aggregate, may have been made intentionally by management to "manage" key performance indicators in order to, for example, meet market expectations, maximise compensation based on performance, or comply with the terms of debt covenants. In the public sector, misstatements may have been made intentionally by management to achieve a surplus when a deficit is prohibited by legislation or to misreport expenses incurred to avoid breaching statutory limits.

Inherent Limitations (Ref: Para. 10)

- A12. The risk of not detecting a material misstatement resulting from fraud exists because fraud may involve sophisticated and carefully organised schemes designed to conceal it, such as forgery, deliberate failure to record transactions, or intentional misrepresentations being made to the auditor. Such attempts at concealment may be even more difficult to detect when accompanied by collusion. Collusion may cause the auditor to believe that audit evidence is persuasive when it is, in fact, false. The auditor's ability to detect a fraud depends on factors such as the skillfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. While the auditor may be able to identify potential opportunities for fraud to be perpetrated, it is difficult for the auditor to determine whether misstatements in areas requiring judgement such as accounting estimates are caused by fraud or error.

Professional Scepticism and Professional Judgement (Ref: Para. 13)

- A13. ASQM 1³⁷ requires the firm to design, implement and operate a system of quality management for audits of the financial report. The firm's commitment to an effective system of quality management underpins the requirement for the auditor to exercise professional scepticism when performing the audit engagement. This commitment is recognised and reinforced in the governance and leadership component, including a:
- (a) Commitment to quality by the leadership of the firm, such as the tone at the top by leadership contributes to the firm's culture which in turn supports and encourages the auditor to focus on the auditor's responsibilities relating to fraud in an audit of a financial report.
 - (b) Recognition that the resource needs are planned for, and resources are obtained, allocated, or assigned in a manner that is consistent with the firm's commitment to quality, such as resources with the appropriate specialised knowledge and skills that may be needed when performing audit procedures related to fraud in an audit of a financial report.

³⁷ See Australian Standard on Quality Management (ASQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

Auditing Standard ASA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

- A14. ASQM 1³⁸ also explains that the quality of professional judgements exercised by the firm is likely to be enhanced when individuals making such judgements demonstrate an attitude that includes an enquiring mind.

Non-Compliance with Laws and Regulations (Ref: Para. 14)

- A15. The identification by the auditor of fraud or suspected fraud affecting the entity that has been perpetrated by a third party (see paragraphs 18(a) and ~~A21~~A22) may also give rise to additional responsibilities for the auditor in accordance with ASA 250.

Example:

- When obtaining an understanding of the entity's general IT controls, the auditor was informed of a cybersecurity breach involving unauthorised access by a third party to the entity's confidential customer files, including related banking information. After obtaining an understanding of the suspected fraud, the engagement partner determined that the cybersecurity breach likely violated local data protection laws.

- A16. Complying with the requirements of this ASA may also fulfill certain applicable requirements in ASA 250.

Example:

- When performing tests of details on a bank's loan portfolio, the auditor identified a series of loans to newly formed entities connected to senior management that lacked appropriate documentation. The auditor determined the circumstances were indicative of fraudulent approvals of loans by senior management to related parties. After obtaining an understanding of the suspected fraud in accordance with paragraph ~~54~~55, the auditor concluded the understanding was also sufficient to meet the requirement in paragraph 19(a) of ASA 250. The auditor evaluated the possible effect on the financial report of the fine for the entity's suspected violation of banking regulations regarding related-party lending in accordance with paragraph 19(b) of ASA 250.

- A17. Law, regulation, or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations.³⁹

Relationship with Other ASAs (Ref: Para. 15)

- A18. Appendix 5 identifies other ASAs that address specific topics that reference fraud or suspected fraud.

Definitions (Ref: Para. 18)

Relationship of Fraud with Corruption, Bribery and Money Laundering (Ref: Para. 18(a))

- A19. Depending on the nature and circumstances of the entity, certain laws, regulations or aspects of relevant ethical requirements dealing with corruption, bribery or money laundering may be relevant to the auditor's responsibilities to consider laws and regulations in an audit of a financial report in accordance with ASA 250.⁴⁰

³⁸ See ASQM 1, paragraph A31.

³⁹ See the Code, Section 360.

⁴⁰ See ASA 250, paragraphs 6 and A6.

- A20. Corruption, bribery and money laundering are forms of illegal or unethical acts. Corruption, bribery, and money laundering may be distinct concepts in law or regulation; however, they may also be fraudulent acts, or may be carried out to facilitate or conceal fraud.

Examples:

- Corruption involving fraud – Management colluded with other competing parties to raise prices or lower the quality of goods or services for purchasers who wish to acquire products or services through a bidding process (i.e., bid rigging). The bid rigging included monetary payments by the designated winning bidder to colluding parties using fraudulent consulting contracts for which no actual work took place.
- Bribery to conceal fraud – Management offered inducements to employees for concealing the misappropriation of assets by management.
- Money laundering to facilitate fraud – An employee laundered money, to an offshore bank account, that was illegally obtained from embezzling payments for fictitious purchases of inventory through the creation of false purchase orders, supplier shipping documents, and supplier invoices.

- A21. While the auditor may identify or suspect corruption, bribery, or money laundering, as with fraud, the auditor does not make legal determinations on whether such acts have actually occurred.

Third-Party Fraud (Ref: Para. 18(a))

- A22. Fraud or suspected fraud committed against the entity by parties external to the entity is generally described as third-party fraud. Fraud as defined in paragraph 18(a) can include an intentional act by a third party and, accordingly, if an intentional act by a third party is identified or suspected that may have resulted in misappropriation of the entity's assets or fraudulent financial reporting by the entity, the auditor performs audit procedures in paragraphs ~~5455–5758~~.

- A23. Parties external to the entity that may commit third-party fraud may include:

- Related parties, where potential opportunities for collusion with management, overly complex transactions, or bias in the structure of transactions may exist, as explained in ASA 550⁴¹.
- Third parties with which the entity has a relationship to support their business model such as customers, suppliers, service providers or other external parties known to the entity. These relationships may introduce the risk of collusion with employees or others in the entity to, for example, create fictitious transactions to manipulate financial results.
- Third parties unknown to the entity that may, for example, attempt to gain unauthorised access to an entity's IT environment that affects financial reporting or assets, or disrupts the entity's business operations or financial reporting processes.

Fraud Risk Factors (Ref: Para. 18(b) and 38)

- A24. The presence of fraud risk factors may affect the auditor's assessment of inherent risk or control risk. Fraud risk factors may:

⁴¹ See ASA 550 *Related Parties*.

- Be inherent risk factors, insofar as they affect inherent risk, and may be due to management bias. They may also arise from other identified inherent risk factors (e.g., complexity or uncertainty may create opportunities that result in a susceptibility to misstatement due to fraud). When fraud risk factors are inherent risk factors, the inherent risk is assessed before consideration of controls.
- Relate to events or conditions that may exist in the entity's system of internal control that provide an opportunity to commit fraud and are relevant to the consideration of the entity's controls (i.e., related to control risk), and may be an indicator that other fraud risk factors are present.

A25. While fraud risk factors may not necessarily indicate the existence of fraud, they have often been present in circumstances where frauds have occurred and therefore may indicate risks of material misstatement due to fraud.

A26. Examples of fraud risk factors related to fraudulent financial reporting and misappropriation of assets are presented in Appendix 1. These illustrative fraud risk factors are classified based on the three conditions that are, individually or in combination, generally present when fraud exists:

- An incentive or pressure to commit fraud;
- A perceived opportunity to commit fraud; and
- An attitude or rationalisation that justifies the fraudulent action.

Fraud risk factors reflective of an attitude that permits rationalisation of the fraudulent action may not be susceptible to observation by the auditor. Nevertheless, the auditor may become aware of the existence of such information through, for example, the required understanding of the entity's control environment.⁴² Although the fraud risk factors described in Appendix 1 cover a broad range of situations that may be faced by auditors, they are only examples and other fraud risk factors may exist.

Professional Scepticism (Ref: Para. ~~12–137, and 19–22~~ and 55–58)

A27. Maintaining professional scepticism throughout the audit involves an ongoing questioning of whether the information and audit evidence obtained suggests that a material misstatement due to fraud may exist. It includes considering the reliability of the information intended to be used as audit evidence and identified controls in the control activities component, if any, over its preparation and maintenance. Due to the characteristics of fraud, the auditor's professional scepticism is particularly important when considering the risks of material misstatement due to fraud.

A28. The manner in which circumstances that may be indicative of fraud or suspected fraud that affects the entity come to the auditor's attention throughout the audit may vary.

Examples:

Possible sources that may provide information about circumstances that may be indicative of fraud or suspected fraud that affects the entity include:

- The auditor (e.g., when performing audit procedures in accordance with ASA 550, the auditor becomes aware of the existence of a related party relationship that management intentionally did not disclose to the auditor).

⁴² See ASA 315, paragraph 21.

- Those charged with governance (e.g., when members of the audit committee conduct an independent investigation of unusual journal entries and other adjustments).
- Management (e.g., when evaluating the results of the entity's risk assessment process).
- Individuals within the internal audit function (e.g., when individuals conduct the annual compliance procedures related to the entity's system of internal control).
- An employee (e.g., by filing a tip using the entity's whistleblower program).
- A former employee (e.g., by sending a complaint via electronic mail to the internal audit function).

A29. Remaining alert for circumstances that may be indicative of fraud or suspected fraud throughout the audit is important, including when performing audit procedures near the end of the audit when time pressures to complete the audit engagement may exist. For example, audit evidence may be obtained near the end of the audit that may call into question the reliability of other audit evidence obtained or cast doubt on the integrity of management or those charged with governance. Appendix 3 contains examples of circumstances that may be indicative of fraud or suspected fraud.

A30. As explained in ASA 220,⁴³ conditions inherent in some audit engagements can create pressures on the engagement team that may impede the appropriate exercise of professional scepticism when designing and performing audit procedures and evaluating audit evidence. Paragraphs A35–A37 of ASA 220 list examples of impediments to the exercise of professional scepticism at the engagement level, unconscious or conscious biases that may affect the engagement team's professional judgements, and actions that may be taken to mitigate impediments to the exercise of professional scepticism.

Examples:

- A lack of cooperation and undue time pressures imposed by management negatively affected the engagement team's ability to resolve a complex and contentious issue. These circumstances were, based on the engagement partner's professional judgement, indicative of possible efforts by management to conceal fraud. The engagement partner involved more experienced members of the engagement team to deal with members of management who were difficult to interact with and communicated with those charged with governance as to the nature of the challenging circumstances, including the possible effect on the audit.
- Impediments imposed by management created difficulties for the engagement team in obtaining access to records, facilities, certain employees, customers, suppliers, and others. These circumstances were, based on the engagement partner's professional judgement, indicative of possible efforts by management to conceal fraud. The engagement partner reminded the engagement team not to be satisfied with audit evidence that was less than persuasive when responding to assessed risks of material misstatement due to fraud and communicated with those charged with governance as to the nature of the challenging circumstances, including the possible effect on the audit.

A31. Circumstances may also be encountered which may create threats to compliance with relevant ethical requirements. ASA 220⁴⁴ discusses that relevant ethical requirements, for example the

⁴³ See ASA 220, paragraph A34.

⁴⁴ See ASA 220, paragraph A45.

Code, may contain provisions regarding the identification and evaluation of threats and how they are to be dealt with.⁴⁵

- A32. The auditor may also address the threat to compliance with relevant ethical requirements, such as the principle of integrity, by communicating on a timely basis with those charged with governance about the circumstances giving rise to the threat. This communication may include a discussion about any inconsistencies in audit evidence obtained for which a satisfactory explanation has not been provided by management.

Inconsistent Responses

- A33. Inconsistent responses to enquiries may include inconsistencies both between the different groups of individuals specified in paragraph 21 (i.e., management, those charged with governance, individuals within the internal audit function, or others within the entity) and among individuals within the same group. For example, the auditor may identify inconsistent responses among different individuals within management.

Conditions That Cause the Auditor to Believe That a Record or Document May Not Be Authentic or That the Terms in a Document Have Been Modified

- A34. ASA 500⁴⁶ requires the auditor to consider the reliability of information intended to be used as audit evidence when designing and performing audit procedures. The reliability of information intended to be used as audit evidence deals with the degree to which the auditor may depend on such information. Authenticity is an attribute of the reliability of information that the auditor may consider. In doing so, the auditor may consider whether the source actually generated or provided the information, and was authorised to do so, and the information has not been inappropriately altered.
- A35. Audit procedures performed in accordance with ASA 500, this or other ASAs, or information from other sources, may bring to the auditor's attention conditions that cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor. The auditor is not, however, required to perform procedures that are specifically designed to identify conditions that indicate that a record or document may not be authentic or that terms in a document have been modified. Paragraph 22 applies if the auditor identifies such conditions during the course of the audit.

Examples:

Conditions that, if identified, may cause the auditor to believe that a record or document is not authentic or that terms in a document have been modified but not disclosed to the auditor include:

- Unexplained alterations to documents received from external sources.
- Serial numbers used out of sequence or duplicated.
- Addresses and logos not as expected.
- Document style different to others of the same type from the same source (e.g., changes in fonts and formatting).

⁴⁵ See paragraphs R111.1 and R113.1 of the Code require the accountant to be straightforward and diligent when complying with the principles of integrity, and professional competence and due care, respectively. Paragraph 111.1A1 of the Code explains that integrity involves having the strength of character to act appropriately, even when facing pressure to do otherwise. Paragraph 113.1 A3 of the Code explains that acting diligently also encompasses performing an assignment carefully and thoroughly in accordance with applicable technical and professional standards. These ethical responsibilities are required irrespective of the pressures being imposed, explicitly or implicitly, by management.

⁴⁶ See ASA 500, *Audit Evidence*, paragraph 7.

- Information that would be expected to be included is absent.
- Invoice references or descriptors that differ from other invoices received from the entity.
- Unusual terms of trade, such as unusual prices, interest rates, guarantees and repayment terms (e.g., purchase costs that appear unreasonable for the goods or services being charged for).
- Information that appears implausible or inconsistent with the auditor's understanding and knowledge.
- A change from authorised signatory.
- Electronic documents with a last edited date that is after the date they were represented as finalised.

A36. When conditions are identified that cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, possible additional audit procedures to investigate further may include:

- Enquiries of management or others within the entity.
- Confirming directly with the third party.
- Using the work of an expert to evaluate the document's authenticity.
- Using automated tools and techniques, such as document authenticity or integrity technology, to evaluate the authenticity of the record or document.

A37. When the results of the additional audit procedures indicate that a record or document is not authentic or that the terms in a document have been modified, the auditor may determine that the circumstances are indicative of fraud or suspected fraud and, accordingly, performs audit procedures in accordance with paragraphs [5455–5758](#).

Engagement Resources (Ref: Para. 23)

A38. ASA 220⁴⁷ explains that the engagement partner's determination of whether additional engagement level resources are required to be assigned to the engagement team is a matter of professional judgement and is influenced by the nature and circumstances of the audit engagement, taking into account any changes that may have arisen during the engagement.

A39. The nature, timing, and extent of the involvement of individuals with specialised skills or knowledge, such as forensic and other experts when determined to be necessary or the involvement of more experienced individuals, may vary based on the nature and circumstances of the audit engagement.

Examples:

- The entity is investigating fraud or suspected fraud that may have a material effect on the financial report (e.g., when it involves senior management). An individual with forensic skills may assist in planning and performing audit procedures as it relates to the specific audit area where the fraud or suspected fraud was identified.

⁴⁷ See ASA 220, paragraph A77.

- The entity is undergoing an investigation by an authority outside the entity for fraud or suspected fraud, or for instances of non-compliance or suspected non-compliance with laws and regulations (e.g., materially misstated tax provision related to tax evasion and materially misstated revenues due to such revenues being generated from illegal activities facilitated through money laundering). Tax and anti-money laundering experts may assist with identifying those fraudulent aspects of the non-compliance or suspected non-compliance that may have a financial report impact.
- The complexity of the entity's organisational structure and related party relationships, including the creation or existence of special purpose entities, may present an opportunity for management to misrepresent the financial position or financial performance of the entity. For example, an expert in taxation law may assist in understanding the business purpose and activities or business units within complex organisations, including how its structure for tax purposes may be different from its operating structure.
- The complexity of the industry or regulatory environment in which the entity operates may present an opportunity or pressure for management to engage in fraudulent financial reporting. For example, an individual specialising in fraud schemes in specific emerging markets may assist in identifying fraud risk factors or where the financial report may be susceptible to risks of material misstatement due to fraud.
- The use of complex financial instruments or other complex financing arrangements may present an opportunity to inadequately disclose the risks and nature of complex structured products. For example, a valuation expert may assist in understanding the product's structure, purpose, underlying assets, and market conditions, which may highlight fraud risk factors such as discrepancies between market conditions and the valuation of the structured product.

A40. Forensic skills, in the context of an audit of a financial report, may combine accounting, auditing and investigative skills. Such skills may be applied in an investigation and evaluation of an entity's accounting records to obtain possible evidence of fraudulent financial reporting or misappropriation of assets, or in performing audit procedures. The use of forensic skills may also assist the auditor in evaluating whether there is management override of controls or intentional management bias in financial reporting.

Examples:

Forensic skills may include specialised skills or knowledge in:

- Identifying and evaluating fraud risk factors.
- Identifying and assessing the risks of material misstatement due to fraud.
- Evaluating the effectiveness of controls implemented by management to prevent or detect fraud.
- Assessing the authenticity of information intended to be used as audit evidence.
- Gathering, analysing, and evaluating information or data using automated tools and techniques to identify links, patterns, or trends that may be indicative of fraud or suspected fraud.
- Applying knowledge in fraud schemes, and techniques for interviews, information gathering and data analytics, in the detection of fraud.

- Interviewing techniques used in discussing sensitive matters with management and those charged with governance.
- Analysing financial and non-financial information by using automated tools and techniques to look for inconsistencies, unusual patterns, or anomalies that may indicate intentional management bias or that may be the result of management override of controls.

- A41. In determining whether the engagement team has the appropriate competence and capabilities, the engagement partner may consider matters such as expertise in IT systems or IT applications used by the entity or automated tools or techniques that are to be used by the engagement team in planning and performing the audit (e.g., when testing a high volume of journal entries and other adjustments when responding to the risks related to management override of controls).
- A42. In determining whether the members of the engagement team collectively have the appropriate competence and capabilities to respond to identified risks of material misstatement due to fraud, the engagement partner may consider, for example:
- Assigning additional individuals with specialised skills or knowledge, such as forensic and other experts;
 - Changing the composition of the engagement team to include more experienced individuals; or
 - Assigning more experienced members of the engagement team to conduct certain audit procedures for those specific audit areas that require significant auditor attention, including to make enquiries of management and, when appropriate in the circumstances, those charged with governance related to those specific audit areas.

Engagement Performance (Ref: Para. 24 and 29)

- A43. Depending on the nature and circumstances of the audit engagement, the engagement partner's approach to direction, supervision and review may include increasing the extent and frequency of the engagement team discussions. It may be beneficial to hold additional engagement team discussions based on the occurrence of events or conditions that have impacted the entity, which may identify new, or provide additional information about existing, fraud risk factors (see Appendix 1 for examples of fraud risk factors).

Examples:

- Sudden changes in business activity or performance (e.g., decrease in operating cashflows of an entity arising from economic conditions resulting in increased pressure internally by management to meet publicly disclosed earnings targets).
- Unexpected changes in the senior management of the entity (e.g., the chief financial officer resigns, with no explanation given for the sudden departure, providing an opportunity for other employees in the treasury department to commit fraud given the lack of senior management oversight).

Ongoing Nature of Communications with Management and Those Charged with Governance (Ref: Para. 25)

- A44. Robust two-way communication between management or those charged with governance and the auditor assists in identifying and assessing the risks of material misstatement due to fraud.

- A45. The extent of the auditor's communications with management and those charged with governance depends on the fraud-related facts and circumstances of the entity, as well as the progress and outcome of the fraud-related audit procedures performed in the audit engagement.
- A46. The appropriate timing of the communications may vary depending on the significance and nature of the fraud-related matters and the expected action(s) to be taken by management or those charged with governance.

Examples:

- Making the required enquiries of management and those charged with governance about matters referred to in paragraphs 32(b)–32(c) and 33(b) as early as possible in the audit engagement, for example, as part of the auditor's communications regarding planning matters.
- When ASA 701 applies, the auditor may communicate preliminary views about key audit matters related to fraud when discussing the planned scope and timing of the audit.
- Having specific discussions with management and those charged with governance as relevant audit evidence is obtained relating to the auditor's evaluation of each of the components of the entity's system of internal control and assessment of the risks of material misstatement due to fraud. These discussions may form part of the auditor's communications on significant findings from the audit.
- Communicating, on a timely basis in accordance with ASA 265,⁴⁸ significant deficiencies in internal control (including those that are relevant to the prevention or detection of fraud) with the appropriate level(s) of management and those charged with governance may allow them to take necessary and timely remedial actions.

Assigning Appropriate Member(s) within the Engagement Team with the Responsibility to Communicate with Management and Those Charged with Governance

- A47. ASA 220⁴⁹ deals with the engagement partner's overall responsibility with respect to engagement resources and engagement performance. Due to the nature and sensitivity of fraud, particularly those involving senior management, assigning tasks or actions to appropriately skilled or suitably experienced members of the engagement team and providing appropriate levels of direction, supervision, and review of their work is also important for the required communications in accordance with this ASA. This includes involving appropriately skilled or suitably experienced members of the engagement team when communicating matters related to fraud with management and those charged with governance.
- A48. ASA 220⁵⁰ deals with the engagement partner's responsibility to make members of the engagement team aware of the relevant ethical requirements. For example, the Code requires compliance with the principle of integrity, which involves standing one's ground when confronted by dilemmas and difficult situations; or challenging others as and when circumstances warrant in a manner appropriate to the circumstances. It is important, especially for those members of the engagement team who will be engaging with management and those charged with governance about matters related to fraud, to consider the content of the communications and the manner in which such communications are to be conducted.

⁴⁸ See ASA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.

⁴⁹ See ASA 220, paragraphs 25–28 and 29–34.

⁵⁰ See ASA 220, paragraph 17.

Risk Assessment Procedures and Related Activities (Ref: Para. 26)

A49. As explained in ASA 315,⁵¹ obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control is a dynamic and iterative process of gathering, updating and analysing information and continues throughout the audit. Therefore, the auditor's expectations with respect to risks of material misstatements due to fraud may change as new information is obtained.

Information from Other Sources (Ref: Para. 27)

A50. Information obtained from other sources in accordance with paragraphs 15–16 of ASA 315 may be relevant to the identification of fraud risk factors by providing information and insights about:

- The entity and the industry in which the entity operates and its related business risks, which may create pressures on the organisation to meet targeted financial results.
- Management's commitment to integrity and ethical values.
- Management's commitment to remedy known significant deficiencies in internal control on a timely basis.
- Complexity in the application of the applicable financial reporting framework due to the nature and circumstances of the entity that may create opportunities for management to perpetrate and conceal fraudulent financial activity.

A51. In conducting an initial audit engagement in accordance with ASA 510,⁵² in some circumstances, subject to law, regulation or relevant ethical requirements, the proposed successor auditor may request the predecessor auditor to provide information regarding identified or suspected fraud. Such information may give an indication of the presence of fraud risk factors or may give an indication of fraud or suspected fraud.

Retrospective Review of the Outcome of Previous Accounting Estimates (Ref: Para. 28)

A52. The purpose of performing a retrospective review of management's judgements and assumptions related to accounting estimates reflected in the financial report of a previous period is to evaluate whether there is an indication of a possible bias on the part of management. It is not intended to call into question the auditor's judgements about previous period accounting estimates that were appropriate based on information available at the time they were made.

Engagement Team Discussion (Ref: Para. 29)

A53. As explained in ASA 220,⁵³ the engagement partner is responsible for creating an environment that emphasises the importance of open and robust communication within the engagement team. The engagement team discussion enables the engagement team members to share insights in a timely manner based on their skills, knowledge and experience about how and where the financial report may be susceptible to material misstatement due to fraud.

A54. Individuals who have specialised skills or knowledge, such as forensic and other experts, may be invited to attend the engagement team discussion to provide deeper insights about the susceptibility of the entity's financial report to material misstatement due to fraud. The involvement and contributions of individuals with specialised skills or knowledge may elevate the quality of the discussion taking place.

⁵¹ See ASA 315, paragraph A48.

⁵² See ASA 510, *Initial Audit Engagements—Opening Balances*.

⁵³ See ASA 220, paragraph 14.

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- A55. The exchange of ideas may serve to inform the auditor's initial perspective about the tone at the top. The conversation may include a discussion about the actions and behaviours of management and those charged with governance, including whether there are clear and consistent actions and communications about integrity and ethical behaviour at all levels within the entity.
- A56. The following approaches may be useful to facilitate the exchange of ideas:
- 'What-if' scenarios – these may be helpful when discussing whether certain events or conditions create an environment at the entity where one or more individuals among management, those charged with governance, or employees have the incentive or pressure to commit fraud, a perceived opportunity to do so and some rationalisation of the act, and if so, how the fraud may occur.
 - Automated tools and techniques – these may be used to support the discussion about the susceptibility of the entity's financial report to material misstatement due to fraud. For example, automated tools and techniques may be used to support the identification of fraud risk factors, including techniques that further the understanding of incentives and pressures, such as industry or sector financial ratio benchmarking. Unusual relationships within the entity's current period data (e.g., financial and operating data) may indicate adverse ratios or trends compared to competitors or the entity's past performance.
- A57. The exchange of ideas may include, among other matters, whether:
- The interactions, as observed by the engagement team, among management (e.g., between the chief executive officer and the chief financial officer) or between management and those charged with governance may indicate a lack of cooperation or mutual respect among the parties. This circumstance in turn may be indicative of an environment that is conducive to the existence of fraud.
 - Any unusual or unexplained changes in behaviour or lifestyle of management or employees that have come to the attention of the engagement team may indicate the possibility of fraudulent activity.
 - Known information (e.g., obtained through reading trade journals, or accessing reports issued by regulatory bodies), about frauds impacting other entities that resulted in the misstatement of the financial report of those entities, such as entities in the same industry or geographical region, may be indicative of risks of material misstatement due to fraud for the entity being audited.
 - Disclosures, or lack thereof, may be used by management to obscure a proper understanding of the entity's financial report (e.g., by including too much immaterial information, by using unclear or ambiguous language, or by a lack of disclosures such as those disclosures relating to off-balance sheet financing arrangements or leasing arrangements).
 - Events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern (e.g., a drug patent of an entity in the pharmaceutical industry expired leading to a decline in revenue). In such circumstances, there may be incentives or pressures for management to commit fraud in order to conceal a material uncertainty about the entity's ability to continue as a going concern.
 - The entity has significant related party relationships and transactions (e.g., the entity has a complex organisational structure that includes several special-purpose entities controlled by management). These circumstances may provide the opportunity for management to perpetrate fraud; for example, by inflating earnings, or concealing debt.

- The entity has other third-party relationships that give rise to a fraud risk factor, or a risk of third-party fraud.

Examples:

- Based on the auditor's understanding of the entity's information processing activities, the auditor identified a fraud risk factor (i.e., opportunity to commit fraud) resulting from management's lack of oversight over significant business processes outsourced to a third-party service provider.
- Based on the auditor's understanding of the entity's physical access controls, the auditor identified a fraud risk factor (i.e., opportunity to commit fraud) resulting from the entity's lack of sufficient security at locations with a material amount of small, lightweight, high-value assets.
- Based on the auditor's understanding of revenue contracts, the auditor became aware that the entity is using consignment agreements, where third parties sell the entity's inventory on its behalf, and the entity earns revenue from these sales. The auditor identified a fraud risk factor (i.e., incentive to commit fraud) resulting from the third party's incentive to underreport to the entity consigned sales in order for the third party to meet its own sales targets.

- A58. The engagement team may consider other ways in which management may override controls beyond the use of journal entries and other adjustments, significant estimates or transactions outside the normal course of business.

Examples:

- Creating fictitious employee records or vendors in an attempt to transfer cash to personal accounts.
- Modifying the timing of legitimate transactions to manipulate the financial records.

- A59. The engagement partner and other key engagement team members participating in the engagement team discussion may also, as applicable, use this as an opportunity to:

- Emphasise the importance of maintaining a questioning mind throughout the audit regarding the potential for material misstatement due to fraud.
- Remind engagement team members of their role in serving the public interest by performing quality audit engagements and the importance of engagement team members remaining objective in order to better facilitate the critical assessment of audit evidence obtained from persons within or outside the financial reporting or accounting functions, or outside the entity.
- Consider the audit procedures that may be selected to respond appropriately to the susceptibility of the entity's financial report to material misstatement due to fraud, including whether certain types of audit procedures may be more effective than others and how to incorporate an element of unpredictability into the nature, timing and extent of audit procedures to be performed. Appendix 2 contains examples of procedures that incorporate an element of unpredictability.

Analytical Procedures Performed and Unusual or Unexpected Relationships Identified (Ref: Para. 30)

- A60. The auditor may identify fluctuations or relationships when performing analytical procedures in accordance with ASA 315⁵⁴ that are inconsistent with other relevant information or that differ from expected values significantly.

Example:

Analytical Procedure	Unexpected or Inconsistent Result of the Analytical Procedure
A comparison of the entity's recorded sales volume to the entity's production capacity.	An excess of sales volume over production capacity may be indicative of fictitious sales or sales recorded before revenue recognition criteria have been met.
A trend analysis of revenues by month compared to sales returns by month, including during and shortly after the reporting period.	An increase in sales returns shortly after the reporting period relative to sales returns during the month may indicate the existence of undisclosed side agreements with customers involving the return of goods, which, if known, would preclude revenue recognition.

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. 31)

The Entity's Organisational Structure and Ownership, Governance, Objectives and Strategy, and Geographic Dispersion

- A61. Understanding the entity's organisational structure and ownership assists the auditor in identifying fraud risk factors. An overly complex organisational structure involving unusual legal entities or unnecessarily complex or unusual organisational structures compared to other entities in the same industry may indicate that a fraud risk factor is present.

Example:

- Where there are complex intercompany transactions, this increases the opportunity to manipulate balances or create fictitious transactions.

- A62. Understanding the nature of the entity's governance arrangements assists the auditor in identifying fraud risk factors. For example, poor governance or accountability arrangements may weaken oversight and increase the opportunity for fraud (see also paragraphs [A70A71–A81A82](#)). However, some entities may have assigned the responsibility for overseeing the processes for identifying and responding to fraud in the entity to a senior member of management or to someone with designated responsibility.

⁵⁴ See ASA 315, paragraph 14(b).

Example:

If the entity is undergoing significant digital transformation activities, poor governance arrangements over newly implemented technologies impacting the entity's information system relevant to the preparation of the financial report may increase the opportunity for fraud.

- A63. Understanding the entity's objectives and strategy assists the auditor in identifying fraud risk factors. Objectives and strategy impact expectations, internally and externally, and may create pressures on the entity to achieve financial performance targets.

Example:

When the entity has a very aggressive growth strategy, this may create pressures on personnel within the entity to commit fraud to meet the goals set.

- A64. Understanding the entity's geographic dispersion assists the auditor in identifying fraud risk factors. The entity may have operations in locations that may be susceptible to fraud, or other illegal or unethical acts that may be carried out to facilitate or conceal fraud. The auditor may obtain information about these locations from a variety of internal and external sources, including searches of relevant databases.

Examples:

- Weak legal and regulatory frameworks that create a permissive environment for fraudulent financial reporting without significant consequences.
- Offshore financial centres that have less restrictive regulations and tax incentives that may facilitate fraud through money laundering.
- Cultural norms in which bribery is an accepted practice of doing business, which could lead to bribery being used to facilitate or conceal fraud.

Industry and Regulatory Environment

- A65. Understanding the industry and the regulatory environment in which the entity operates assists the auditor in identifying fraud risk factors. The entity may operate in an industry that may be susceptible to fraud, or other illegal or unethical acts that may be carried out to facilitate or conceal fraud. The auditor may obtain an understanding about whether the entity operates in:
- An industry where there are greater opportunities to commit fraud (e.g., in the construction industry the revenue recognition policies may be complex and subject to significant judgement which may create an opportunity to commit fraud).
 - An industry that is under pressure (e.g., a high degree of competition or market saturation, accompanied by declining margins in that sector). Such characteristics may create an incentive to commit fraud as it may be harder to achieve the financial performance targets.
 - An industry that is susceptible to acts of money laundering (e.g., the banking, or gaming and gambling industries may be particularly vulnerable to money laundering, which could facilitate fraud).
 - A regulatory environment that may create incentives or pressures to commit fraud (e.g., government aid programs may include thresholds to be met to obtain the aid).

Performance Measures Used, Whether Internal or External

- A66. Performance measures, whether internal or external, may create pressures on the entity. These pressures, in turn, may motivate management or employees to take action to inappropriately improve the business performance or to misstate the financial report. Internal performance measures may include employee performance measures and incentive compensation policies. External performance measures may include expectations from shareholders, analysts, or other users.

Example:

Automated tools and techniques, such as analysis of disaggregated data, for example by business segment or product line, may be used by the auditor to identify inconsistencies or anomalies in the data used in performance measures.

- A67. The auditor may consider listening to the entity's earnings calls with analysts or reading analysts' research reports. This may provide the auditor with information about whether analysts have aggressive or unrealistic expectations about an entity's financial performance. Auditors may also learn about management's attitudes regarding those expectations based on how management interacts with analysts. Aggressive expectations by analysts that are met by commitments by management to meet those expectations may be indicative of pressures and rationalisations for management to manipulate key performance metrics.
- A68. Other matters that the auditor may consider include:
- Management's compensation packages. When a significant portion of management's compensation packages are contingent on achieving financial targets, management may have an incentive to manipulate financial results.
 - Negative media attention, short-selling reports, or negative analyst reports. When management is under pressure or intense scrutiny to respond to these matters, management may have an incentive to manipulate financial results.

Considerations specific to public sector entities

- A69. In the case of a public sector entity, legislators and regulators are often the primary users of its financial report and may therefore have expectations in relation to external performance measures. The auditor may also consider the nature and extent of external scrutiny from other parties or citizens as management of the public sector entity may have an incentive to manipulate financial results when they are under pressure or intense scrutiny.

Understanding the Applicable Financial Reporting Framework and the Entity's Accounting Policies (Ref: Para. 31)

- A70. Matters related to the applicable financial reporting framework that the auditor may consider when obtaining an understanding of where there may be an increased susceptibility to misstatement due to management bias or other fraud risk factors, include:
- Areas in the applicable financial reporting framework that require:
 - A measurement basis that results in the need for a complex method relating to an accounting estimate.
 - Management to make significant judgements, such as accounting estimates with high estimation uncertainty or where an accounting treatment has not yet been established for new and emerging financial products (e.g., types of digital assets).

- Expertise in a field other than accounting, such as actuarial calculations, valuations, or engineering data. Particularly where management can influence, and direct work performed, and conclusions reached by management's experts.
- Changes in the applicable financial reporting framework. For example, management may intentionally misapply new accounting requirements relating to amounts, classification, manner of presentation, or disclosures.
- The selection of and application of accounting policies by management. For example, management's choice of accounting policy is not consistent with similar entities in the same industry.
- The amount of an accounting estimate selected by management for recognition or disclosure in the financial report.

Examples:

- Management may consistently trend toward one end of a range of possible outcomes that provide a more favourable financial reporting outcome for management.
- Management may use a model that applies a method that is not established or commonly used in a particular industry or environment.

Understanding the Components of the Entity's System of Internal Control

Control Environment

Entity's culture and management's commitment to integrity and ethical values (Ref: Para. 32(a)(i))

- A71. Understanding aspects of the entity's control environment that address the entity's culture and understanding management's commitment to integrity and ethical values assists the auditor in determining management's attitude and tone at the top with regards to the prevention and detection of fraud.
- A72. In considering the extent to which management demonstrates a commitment to ethical behaviour, the auditor may obtain an understanding through enquiries of management and employees, and through considering information from external sources, about:
- Management's commitment to integrity and ethical values through their actions. This is important as employees may be more likely to behave ethically when management is committed to integrity and ethical behaviours.
 - The entity's communications with respect to integrity and ethical values. For example, the entity may have a mission statement, a code of ethics, or a fraud policy that sets out the expectations of entity personnel in respect to their commitment to integrity and ethical values regarding managing fraud risk. In larger or more complex entities, management may also have set up a process that requires employees to annually confirm that they have complied with the entity's code of ethics.
 - Whether the entity has developed fraud awareness training. For example, the entity may require employees to undertake ethics and code of conduct training as part of an ongoing or induction program. In a larger or more complex entity, specific training may be required for those with a role in the prevention and detection of fraud (e.g., the internal audit function).
 - Management's response to fraudulent activity. For example, where minor unethical practices are overlooked (e.g., petty theft, expenses frauds), this may indicate that

more significant frauds committed by key employees may be treated in a similar lenient fashion.

The entity's whistleblower program (or other program to report fraud) (Ref: Para. 32(a)(ii))

- A73. Often frauds are discovered through tips or complaints submitted through an entity's whistleblower program. Whistleblower programs, which some entities may refer to by other names including, for example fraud reporting hotline, are designed to gather, among other things, information from employees, customers, and other stakeholders about allegations of fraud impacting the entity. A whistleblower program is often an essential component of an entity's fraud risk management.
- A74. The design of a whistleblower program will vary depending on the nature and complexity of the entity, including the entity's exposure to fraud risks. For example, more formalised whistleblower programs may include a dedicated email, website or telephone reporting mechanism, formal training for all employees, periodic reporting to management and those charged with governance for matters reported through the program, or management of the program by a third party. Alternatively, whistleblower programs may consist of less formal processes, which may include verbal communication of the program or communication via the entity's website where tips or complaints can be received, along with monitoring performed by the entity's human resource personnel or by an independent party, such as external counsel.
- A75. When obtaining an understanding of the entity's whistleblower program, the auditor may:
- Obtain an understanding of how the entity receives tips or complaints, the objectivity and competence of the individuals involved in administering the program, the appropriateness of the entity's processes for addressing the matters raised, including its investigation and remediation processes and protections afforded to whistleblowers. In a larger or more complex entity, the lack of a whistleblower program, or an ineffective one, may be indicative of deficiencies in the entity's control environment.
 - Inspect the whistleblower program files for any tips or complaints that may allege fraud that are not under investigation by the entity, or for information that may raise questions about management's commitment to creating and maintaining a culture of honesty and ethical behaviour.
 - Perform additional procedures related to allegations of fraud that are under investigation by the entity in accordance with the requirements in paragraphs 5455-5758.

Oversight exercised by those charged with governance (Ref: Para. 32(a)(iii))

- A76. In many jurisdictions, corporate governance practices are well developed and those charged with governance play an active role in oversight of the entity's assessment of risks, including risks of fraud and the controls that address such risks. Since the responsibilities of those charged with governance and management may vary by entity and by jurisdiction, it is important that the auditor understands their respective responsibilities to enable the auditor to obtain an understanding of the oversight exercised by the appropriate individuals with respect to the prevention and detection of fraud.⁵⁵
- A77. An understanding of the oversight exercised by those charged with governance may provide insights regarding the susceptibility of the entity to management fraud, the adequacy of controls that prevent or detect fraud, and the competency and integrity of management. The auditor may obtain this understanding in several ways, such as by attending meetings where

⁵⁵ See ASA 260, *Communication with Those Charged with Governance*, paragraphs A1–A8 provide guidance about whom the auditor should be communicating with, including when the entity's governance structure is not well defined.

such discussions take place, reading the minutes from such meetings, or making enquiries of those charged with governance.

- A78. The effectiveness of oversight by those charged with governance is influenced by their objectivity and familiarity with the processes and controls management has put in place to prevent or detect fraud. For example, the oversight by those charged with governance of the effectiveness of controls to prevent or detect fraud is an important aspect of their oversight role and the objectivity of such evaluation is influenced by their independence from management.

Scalability (Ref: Para. 32(a)(iii))

- A79. In some cases, all of those charged with governance are involved in managing the entity. This may be the case in a smaller or less complex entity where a single owner manages the entity and no one else has a governance role. In these cases, there is ordinarily no action on the part of the auditor because there is no oversight separate from management.

Enquiries of those charged with governance (Ref: Para. 32(c))

- A80. The auditor may also enquire of those charged with governance about how the entity assesses the risk of fraud, and the entity's controls to prevent or detect fraud, the entity's culture and management's commitment to integrity and ethical values.
- A81. Specific enquiries on areas that are susceptible to misstatement due to management bias or management fraud may relate to both inherent risk and control risk. Specific enquiries may include management judgement when accounting for complex accounting estimates or unusual or complex transactions, including those in controversial or emerging areas, which may be susceptible to fraudulent financial reporting.
- A82. Enquiries on whether those charged with governance are aware of any control deficiencies related to the prevention and detection of fraud may inform the auditor's evaluation of the components of the entity's system of internal control. Such enquiries may highlight conditions within the entity's system of internal control that provide opportunity to commit fraud or that may affect management's attitude or ability to rationalise fraudulent actions. For example, understanding incentives or pressures on management that may result in intentional or unintentional management bias may inform the auditor's understanding of the entity's risk assessment process and understanding of business risks. Such information may affect the auditor's consideration of the effect on the reasonableness of significant assumptions made by, or the expectations of, management.

The Entity's Risk Assessment Process

The entity's process for identifying, assessing, and addressing fraud risks (Ref: Para. 33(a))

- A83. Management may place a strong emphasis on fraud prevention by implementing a fraud risk management program. The design of the fraud risk management program may be impacted by the nature and complexity of the entity and may include the following elements:
- Establishing fraud risk governance policies.
 - Performing a fraud risk assessment.
 - Designing and deploying fraud preventive and detective control activities.
 - Conducting investigations.
 - Monitoring and evaluating the total fraud risk management program.

Identifying fraud risks (Ref: Para. 33(a)(i))

- A84. The entity's risk assessment process may include an assessment of the incentives, pressures, and opportunities to commit fraud, or how the entity may be susceptible to third-party fraud. An entity's risk assessment process may also consider the potential override of controls by management as well as areas where there are control deficiencies, including a lack of segregation of duties.
- A85. Where legal or regulatory requirements apply, management may consider risks relating to misappropriation of assets or fraudulent financial reporting in relation to the entity's compliance with laws or regulations. For example, a fraud risk may include the preparation of inaccurate information for a regulatory filing in order to improve the appearance of an entity's performance and thereby avoid inspection by regulatory authorities or penalties.

Considerations specific to public sector entities

- A86. In the public sector, management may need to consider risks related to political pressures to achieve specific outcomes, and pressures to meet or stay within the approved budget, including expenditures subject to statutory limits.

Assessing the significance of the identified fraud risks and addressing the assessed fraud risks (Ref: Para. 33(a)(ii)–(iii))

- A87. There are several approaches management may use to assess fraud risks, and the approach may vary depending on the nature and circumstances of the entity. The entity may assess fraud risks using different forms, such as a complex matrix of risk ratings or a simple narrative.
- A88. When determining the likelihood of fraud, management may consider both probability and frequency (i.e., the number of fraud incidents that can be expected). Other factors that management may consider in determining the likelihood may include the volume of transactions or the quantitative benefit to the perpetrator.
- A89. Management may address the likelihood of a fraud risk by taking action within the other components of the entity's system of internal control or by making changes to certain aspects of the entity or its environment. To address fraud risks, an entity may choose to cease doing business in certain locations, reallocate authority among key personnel, or make changes to aspects of the entity's business model.

Example:

During the entity's risk assessment process relating to third-party fraud, management identified an unusual level of disbursements to recently added vendors to the entity's approved-vendor database. Upon investigating the matter, management determined that purchasing and procurement personnel had colluded with the vendors when it added those vendors to the database. Management designed and implemented controls to prevent and detect the reoccurrence of vendor-related fraud.

- A90. If the auditor identifies risks of material misstatement due to fraud that management failed to identify, the auditor is required to determine whether any such risks are of a kind that the auditor expects would have been identified by the entity's risk assessment process and, if so, obtain an understanding of why the entity's risk assessment process failed to identify such risks of material misstatement.⁵⁶

⁵⁶ See ASA 315, paragraph 23.

Scalability (Ref: Para. 33(a))

- A91. In smaller and less complex entities, and in particular owner-managed entities, the way the entity's risk assessment process is designed, implemented, and maintained may vary with the entity's size and complexity. When there are no formalised processes or documented policies or procedures, the auditor is still required to obtain an understanding of how management, or where appropriate, those charged with governance identify fraud risks related to the misappropriation of assets and fraudulent financial reporting, assesses the significance of the identified fraud risks and addresses the assessed risks.

Enquiries of management and others within the entity (Ref: Para. 33(b))

- A92. Management accepts responsibility for the entity's system of internal control and for the preparation of the entity's financial report. Accordingly, it is appropriate for the auditor to make enquiries of management regarding management's own process for identifying and responding to the entity's fraud risks. The nature, extent and frequency of management's risk assessment process may vary from entity to entity. In some entities, management's process may occur on an annual basis or as part of ongoing monitoring. In other entities, management's process may be less structured and less frequent. The nature, extent and frequency of management's risk assessment process is relevant to the auditor's understanding of the entity's control environment. For example, the fact that management does not have a risk assessment process or when the entity's risk assessment process does not address the identified fraud risks may be indicative of the lack of importance that management places on internal control.
- A93. Enquiries of management may provide useful information concerning the risks of material misstatements resulting from employee fraud. However, such enquiries are unlikely to provide useful information regarding the risks of material misstatement resulting from management fraud. Enquiries of others within the entity may provide additional insight into fraud prevention controls, tone at the top, and culture of the organisation. The responses from these enquiries may also serve to corroborate responses received from management or provide information regarding the possibility of management override of controls.

Examples:

Others within the entity to whom the auditor may direct enquiries about the existence or suspicion of fraud include:

- Operating personnel not directly involved in the financial reporting process.
- Employees with different levels of authority.
- Employees involved in initiating, processing, or recording complex or unusual transactions and those who supervise or monitor such employees.
- In-house legal counsel.
- Chief ethics officer, chief compliance officer or equivalent person.
- The person or persons charged with dealing with allegations of fraud

- A94. Management is often in the best position to perpetrate fraud. Accordingly, when evaluating management's responses to enquiries with an attitude of professional scepticism, the auditor may judge it necessary to corroborate responses to enquiries with information from other sources.
- A95. Enquiries of management and others within the entity may be most effective when they involve a discussion and when conducted by senior members of the engagement team. This

allows for a two- way dialogue with the interviewees and provides the opportunity for the auditor to ask probing and clarifying questions.

The Entity's Process to Monitor the System of Internal Control

Ongoing and separate evaluations for monitoring the effectiveness of controls to prevent or detect fraud (Ref: Para. 34(a))

A96. Matters that may be relevant for the auditor to consider when understanding those aspects of the entity's process that addresses the ongoing and separate evaluations for monitoring the effectiveness of controls to prevent or detect fraud, and the identification and remediation of related control deficiencies may include:

- Whether management has identified particular operating locations, or business segments for which the risk of fraud may be more likely to exist and whether management has introduced different approaches to monitor these operating locations or business segments.
- How the entity monitors controls that address fraud risks in each component of the entity's system of internal control, including the operating effectiveness of anti-fraud controls, and the remediation of control deficiencies as necessary.

Enquiries of internal audit (Ref: Para. 34(b))

A97. The internal audit function of an entity may perform assurance and advisory activities designed to evaluate and improve the effectiveness of the entity's governance, risk management and internal control processes. In that capacity, the internal audit function may identify frauds or be involved throughout a fraud investigation process. Enquiries of appropriate individuals within the internal audit function may therefore provide the auditor with useful information about instances of fraud, suspected fraud, or allegations of fraud, and the risk of fraud.

A98. ASA 315 and ASA 610 establish requirements and provide guidance relevant to audits of those entities that have an internal audit function.⁵⁷

Examples:

In applying ASA 315 and ASA 610 in the context of fraud, the auditor may, for example, enquire about:

- How the entity's risk assessment process addresses the risk of fraud.
- The entity's processes and controls to prevent or detect fraud.
- The entity's culture and management's commitment to integrity and ethical values.
- Whether the internal audit function is aware of any instances of management override of controls.
- The procedures performed, if any, by the internal audit function during the year related to fraud and whether management and those charged with governance have satisfactorily responded to any findings resulting from those procedures.
- The procedures performed, if any, by the internal audit function in investigating frauds and suspected violations of the entity's code of ethics and values, and whether

⁵⁷ See ASA 315, paragraphs 14(a) and 24(a)(ii), and ASA 610, *Using the Work of Internal Auditors*.

management and those charged with governance have satisfactorily responded to any findings resulting from those procedures.

- The fraud-related reports, if any, or communications prepared by the internal audit function and whether management and those charged with governance have satisfactorily responded to any findings resulting from those reports.
- Control deficiencies identified by the internal audit function that are relevant to the prevention and detection of fraud and whether management and those charged with governance have satisfactorily responded to any findings resulting from those deficiencies.

The Information System and Communication (Ref: Para. 35 and 49)

- A99. Obtaining an understanding of the entity's information system and communication relevant to the preparation of the financial report includes the manner in which an entity incorporates information from transaction processing into the general ledger. This ordinarily involves the use of journal entries, whether standard or non-standard, or automated or manual. This understanding enables the auditor to identify the population of journal entries and other adjustments that is required to be tested in accordance with paragraph 49(b). Obtaining an understanding of the population may provide the auditor with insights about journal entries and other adjustments that may be susceptible to unauthorised or inappropriate intervention or manipulation. This may assist the auditor in designing and performing audit procedures over journal entries and other adjustments in accordance with paragraphs 49(c) and 49(d).
- A100. Appendix 4 includes additional considerations when selecting journal entries and other adjustments for testing, including matters that the required understanding provides the auditor knowledge about.
- A101. When performing risk assessment procedures, the auditor may consider changes in the entity's IT environment because of the introduction of new IT applications or enhancements to the IT infrastructure, which may impact the susceptibility of the entity to fraud or create vulnerabilities in the IT environment (e.g., changes to the databases involved in processing or storing transactions). There may also be an increased susceptibility to misstatement due to management bias or other fraud risk factors when there are complex IT applications used to initiate or process transactions or information, such as the use of artificial intelligence or machine learning algorithms to calculate and initiate accounting entries. In such circumstances, the auditor may assign individuals with specialised skills and knowledge, such as forensic and IT experts, or more experienced individuals to the engagement.

Control Activities (Ref: Para. [33](#) and [36](#))

- A102. Management may make judgements on the nature and extent of the controls it chooses to implement and the nature and extent of the risks it chooses to accept given the nature and circumstances of the entity. In determining which controls to implement to prevent or detect fraud, management considers the risks that the financial report may be materially misstated due to fraud.
- A103. Controls designed to prevent or detect fraud are generally classified as either preventive (designed to prevent a fraudulent event or transaction from occurring) or detective (designed to discover a fraudulent event or transaction after the fraud has occurred). Addressing fraud risks may involve a combination of manual and automated fraud prevention and detection controls that enable the entity to monitor for indicators of fraud within the scope of its risk tolerance.

Examples:

Preventive controls

- Clearly defined and documented decision makers using delegations, authorisations, and other instructions.
- Access controls, including those that address physical security of assets against unauthorised access, acquisition, use or disposal and those that prevent unauthorised access to the entity's IT environment and information, such as authentication technology.
- Controls over the process to design, program, test and migrate changes to the IT system.
- Entry level checks, probationary periods, suitability assessments or security vetting in order to assess the integrity of new employees, contractors or third parties.
- Sensitive or confidential information cannot leave the entity's IT environment without authority or detection.

Detective controls

- Exception reports to identify activities that are unusual or not in the ordinary course of business for further investigation.
- Mechanisms for employees of the entity and third parties to make anonymous or confidential communications to appropriate persons within the entity about identified or suspected fraud.
- Fraud detection software programs incorporated into the IT infrastructure that automatically analyse transactions data or enable data monitoring and analysis to detect what is different from what is standard, normal, or expected and may therefore indicate fraud.

A104. ASA 315⁵⁸ requires the auditor to obtain an understanding of controls over journal entries as well as to evaluate their design and determine whether they have been implemented as part of understanding the entity's system of internal control. This understanding focuses on the controls over journal entries that address risks of material misstatement at the assertion level, whether due to fraud or error. Paragraphs 48–49 of this ASA require the auditor to design and perform audit procedures to test the appropriateness of journal entries and are specifically focused on the risks of material misstatement due to fraud (see Appendix 4 for additional considerations when testing journal entries).

A105. Information from understanding controls over journal entries, designed to prevent or detect fraud, or the absence of such controls, may also be useful in identifying fraud risk factors that may affect the auditor's assessment of the risks of material misstatement due to fraud.

A106. The following are examples of general IT controls that may address the risks arising from the use of IT and may also be relevant to the prevention or detection of fraud.

Examples:

- Controls that segregate access to make changes to a production (i.e., end user) environment.

⁵⁸ See ASA 315, paragraphs 26(a)(ii) and 26(d).

- Access controls to manage:
 - Privileged access – such as controls over administrative or powerful users' access.
 - Provisioning – such as controls to authorise modifications to existing users' access privileges, including non-personal or generic accounts that are not tied to specific individuals within the entity
- Review of system logs that track access to the information system, enabling user activity to be monitored and security violations to be reported to management.

Scalability

A107. For some entities whose nature and circumstances are more complex, such as those operating in the insurance or banking industries, there may be more complex preventative and detective controls in place. These controls may also affect the extent to which specialised skills are needed to assist the auditor in obtaining an understanding of the entity's risk assessment process.

Control Deficiencies Within the Entity's System of Internal Control (Ref: Para. 37)

A108. In performing the evaluations of each of the components of the entity's system of internal control, the auditor may determine that certain of the entity's policies in a component are not appropriate to the nature and circumstances of the entity. Such a determination may be an indicator, which assists the auditor in identifying deficiencies in internal control that are relevant to the prevention and detection of fraud. If the auditor has identified one or more control deficiencies relevant to the prevention or detection of fraud, the auditor may consider the effect of those control deficiencies on the design of further audit procedures in accordance with ASA 330.

A109. Paragraph 5960(c) of this ASA and ASA 265⁵⁹ establish other requirements on identified deficiencies in internal control.

Evaluation of Fraud Risk Factors (Ref: Para. 38)

A110. The significance of fraud risk factors varies widely. Some of these factors will be present in entities where the specific conditions do not present risks of material misstatement. Accordingly, the determination as to whether fraud risk factors, individually or in combination, indicate that there are risks of material misstatement due to fraud is a matter of professional judgement.

A111. The size, complexity, and ownership characteristics of the entity have a significant influence on the consideration of fraud risk factors. For example, depending on the nature and circumstances of the entity, there may be factors that generally constrain improper conduct by management, such as:

- Effective oversight by those charged with governance.
- An effective internal audit function.
- The existence and enforcement of a written code of conduct.

⁵⁹ See ASA 265, paragraph 8.

- The existence of an effective whistleblower program (or other program to report fraud).

Furthermore, fraud risk factors considered at a business segment operating level may provide different insights when compared with those obtained when considered at an entity-wide level.

Scalability

- A112. In the case of a smaller or less complex entity, some or all of these considerations may not be applicable or less relevant. For example, a smaller or less complex entity may not have a written code of conduct but, instead, may have developed a culture that emphasises the importance of integrity and ethical behaviour through oral communication and by management example. Domination of management by a single individual in a smaller or less complex entity does not generally, in and of itself, indicate a failure by management to display and communicate an appropriate attitude regarding internal control and the financial reporting process. In some entities, the need for management authorisation can compensate for otherwise deficient controls and reduce the risk of employee fraud. However, domination of management by a single individual creates a conducive environment for management override of controls.

Identifying and Assessing the Risks of Material Misstatement due to Fraud (Ref: Para. 39)

- A113. In determining whether fraud risk factors, individually or in combination, indicate that there are risks of material misstatement due to fraud, the auditor may consider:
- The likelihood and magnitude of fraud resulting from fraud risk factors. Fraud risk factors influence the auditor's assessment of the likelihood and magnitude of a potential misstatement for the identified risks of misstatement due to fraud. Considering the degree to which fraud risk factors affect the susceptibility of an assertion to misstatement assists the auditor in appropriately assessing risks of material misstatement at the assertion level due to fraud.
 - The number of fraud risk factors that relate to the same class of transactions, account balance or disclosure. When several fraud risk factors relate to the same class of transactions, account balance or disclosure, it may indicate that there is a risk of material misstatement due to fraud at the assertion level.
- A114. Determining whether the risks of material misstatement due to fraud exist at the financial report level, or the assertion level for classes of transactions, account balances and disclosures, may assist the auditor in determining appropriate responses to address the assessed risks of material misstatement due to fraud.

Examples:

Relevant assertions and the related classes of transactions, account balances or disclosures that may be susceptible to material misstatement due to fraud include:

- Accuracy or valuation of revenue from contracts with customers — revenue from contracts with customers may be susceptible to inappropriate estimates of the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer.
- Occurrence or classification of expenses — expenses may be susceptible to inclusion of fictitious or personal expenses to minimise tax or other statutory obligations.
- Existence of cash balances — cash balances may be susceptible to the creation of falsified or altered external confirmations or bank statements.

- Valuation of account balances involving complex accounting estimates — account balances involving complex accounting estimates such as goodwill and other intangible assets, impairment of inventories, expected credit losses, insurance contract liabilities, employee retirement benefits liabilities, environmental liabilities or environmental remediation provisions may be susceptible to high estimation uncertainty, significant subjectivity and management bias in making judgements about future events or conditions.
- Classification — certain income or expenses may be susceptible to misclassification within the statement of comprehensive income, for example, to manipulate key performance measures.
- Presentation of disclosures — disclosures may be susceptible to omission, or incomplete or inaccurate presentation, for example, disclosures relating to contingent liabilities, off-balance sheet arrangements, financial guarantees or debt covenant requirements.

A115. Evaluating the design of controls that address significant risks, or support the operation of other controls that address significant risks, involves the auditor's consideration of whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting material misstatements due to fraud (i.e., the control objective). The auditor determines whether identified controls have been implemented by establishing that the control exists, and that the entity is using it. The controls in the control environment, the entity's risk assessment process and the entity's process to monitor the system of internal control are primarily indirect controls. For example, a whistleblower program (or other program to report fraud) may be an indirect control within the control environment. Indirect controls may not be sufficiently precise to prevent, detect or correct misstatements due to fraud at the assertion level but support other controls and may therefore have an indirect effect on the likelihood that a misstatement due to fraud will be prevented or detected on a timely basis. However, some controls within these components may also be direct controls.

Considerations Specific to Public Sector Entities

A116. In the public sector, misappropriation of assets (including the misuse of public money for private benefit) may be a more common type of fraud compared to fraudulent financial reporting. In addition, there may be more opportunities for third parties to commit fraud through grant programs, contracts and social welfare or benefit programs.

Example:

- Fraud risk factors may be present when an individual with a significant role in a public sector entity has the sole authority to commit the public sector entity to sensitive expenditure, including travel, accommodation, or entertainment, and that sensitive expenditure provides personal benefits to the individual.

Risks of Material Misstatement Due to Fraud Related to Management Override of Controls (Ref: Para. 40)

A117. Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial report by overriding controls that otherwise appear to be operating effectively. Although the level of risks of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. See also paragraphs 47–52.

A118. In certain circumstances, the auditor may determine that the risks of material misstatement due to fraud related to management override of controls affect individual assertions and related

significant classes of transactions, account balances and disclosures. In such cases, in addition to the requirements in paragraphs 48–52, the auditor identifies these risks at the assertion level and designs and performs further audit procedures to address the assessed risks of material misstatement due to fraud at the assertion level in accordance with paragraph 46.

Examples:

- Based on the risk assessment procedures performed, the auditor identified an aggressive employee performance measure in management's incentive program related to the entities' profit and loss statement. Therefore, the auditor determined that risks of management override of controls also exist at the assertion level and identified a risk of material misstatement due to fraud related to management override of controls at the assertion level. The auditor determined that the risk relates to the completeness of expenses, as the calculation of the performance measure may be susceptible to manipulation from management via adjustments made to the expense accounts. In addition to the procedures performed as described in paragraphs 48–52, the auditor designed and performed further audit procedures to address this significant risk.
- Based on the risk assessment procedures performed, the auditor identified a pressure on management to meet the financial ratios for the entity's loan covenants to avoid insolvency. Therefore, the auditor identified a risk of material misstatement due to fraud related to management override of controls at the assertion level. The auditor determined that the risk relates to the valuation of inventory and completeness of liabilities, as the valuation methods may be susceptible to inappropriate adjustment by management or records may be manipulated to understate net liabilities. In addition to the procedures performed as described in paragraphs 48–52, the auditor designed and performed further audit procedures to address this significant risk.

Risks of Material Misstatement Due to Fraud in Revenue Recognition (Ref: Para. 41)

- A119. Material misstatement due to fraudulent financial reporting in revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition or recording fictitious revenues. It may also result from an understatement of revenues through, for example, improperly deferring revenues to a later period.
- A120. The risks of material misstatement due to fraud in revenue recognition may be greater in some entities than others. For example, there may be pressures or incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition in the case of listed-publicly traded entities when, for example, performance is measured in terms of year over year revenue growth or profit. Similarly, for example, there may be greater risks of material misstatement due to fraud in revenue recognition in the case of entities that generate a substantial portion of revenues through cash sales that present an opportunity for theft, or that have complex revenue recognition arrangements (e.g., licenses of intellectual property or percentage of completion) that are susceptible to management bias when determining percentage of completion for revenue recognition.
- A121. Understanding the entity's business and its environment, the applicable financial reporting framework and the entity's system of internal control helps the auditor understand the nature of the revenue transactions, the applicable revenue recognition criteria and the appropriate industry practice related to revenue. This understanding may assist the auditor in identifying events or conditions (see examples below) relating to the types of revenue, revenue transactions, or relevant assertions, that could give rise to fraud risk factors.

Examples:

- When there are changes in the financial reporting framework relating to revenue recognition, which may present an opportunity for management to commit fraudulent

financial reporting or bring to light the lack of (or significant deficiency in) controls for managing changes in the financial reporting framework.

- When an entity's accounting principles for revenue recognition are more aggressive than, or inconsistent with, its industry peers.
- When the entity operates in emerging industries.
- When revenue recognition involves complex accounting estimates.
- When revenue recognition is based on complex contractual arrangements with a high degree of estimation uncertainty, for example, construction-type or production-type contracts (e.g., tolling arrangements) and multiple-element arrangements.
- When contradictory evidence is obtained from performing risk assessment procedures.
- When the entity has a history of significant adjustments for the improper recognition of revenue (e.g., premature recognition of revenue).
- When circumstances indicate the recording of fictitious revenues.
- When circumstances indicate the omission of required disclosures or presentation of incomplete or inaccurate disclosures regarding revenue, for example, to manipulate the entity's financial performance due to pressures to meet investor / market expectations, or due to the incentive for management to maximise compensation linked to the entity's financial performance.
- When the entity is part of an unnecessarily complex structure increasing the risk of undisclosed transactions with related parties.

A122. If fraud risk factors related to revenue recognition are present, determining whether such fraud risk factors indicate a risk of material misstatement due to fraud is a matter of professional judgement. The significance of fraud risk factors (see paragraphs ~~A109~~~~A110~~ ~~A111~~~~A112~~) related to revenue recognition, individually or in combination, ordinarily makes it inappropriate for the auditor to rebut the presumption that there are risks of material misstatement due to fraud in revenue recognition.

A123. There may be limited circumstances where it may be appropriate to rebut the presumption that there are risks of material misstatement due to fraud in revenue recognition. The auditor may conclude that there are no risks of material misstatement due to fraud relating to revenue recognition in the case where fraud risk factors are not significant.

Examples:

- Leasehold revenue from a single unit of rental property, or multiple rental properties, with a single tenant. Based on the risk assessment procedures performed, the auditor determined that leasehold revenue is not a key performance indicator for the lessor as it is predictable and stable. Therefore, there are no significant incentives or pressures related to leasehold revenue. The auditor also determined that the accounting is outsourced to an independent asset management company such that there are no significant opportunities for management to manipulate leasehold revenue.
- Simple or straightforward ancillary revenue sources, which are determined by fixed rates or externally published rates (e.g., interest or dividend revenue from investments with level 1 inputs). Based on the risk assessment procedures performed, the auditor determined that management's key performance indicators do not relate to interest or dividend revenue from investments such that there are no significant incentives or

pressures related to the interest or dividend revenue from investments because the transactions are recorded in a highly automated system with no significant opportunities for management to manipulate the interest or dividend revenue from investments.

- A124. Paragraph 6768(d) specifies the documentation required when the auditor concludes that the presumption is not applicable in the circumstances of the engagement and, accordingly, has not identified revenue recognition as a risk of material misstatement due to fraud.

Considerations Specific to Public Sector Entities

- A125. In public sector entities, there may be fewer incentives or pressures to engage in fraudulent financial reporting by intentionally overstating or understating revenue but there may be fraud risks related to expenditures, especially when such expenditures are subject to statutory limits.

Responses to the Assessed Risks of Material Misstatement Due to Fraud

Unpredictability in the Selection of Audit Procedures (Ref: Para. 43)

- A126. Incorporating an element of unpredictability in the selection of the nature, timing, and extent of audit procedures to be performed is essential, particularly where individuals within the entity who are familiar with the audit procedures normally performed on engagements may be better positioned to conceal fraudulent financial reporting and misappropriation of assets. It is therefore important that the auditor maintains an open mind to new ideas or different perspectives when selecting the audit procedures to be performed to address the risks of material misstatement due to fraud.

Examples:

- Performing further audit procedures on selected classes of transactions, account balances or disclosures that were not determined to be material.
- Performing tests of detail where the auditor performed substantive analytical procedures in previous audits.
- Adjusting the timing of audit procedures from that otherwise expected.
- Using different sampling methods or using different approaches to stratify the population.
- Performing audit procedures at different locations or at locations on an unannounced basis.
- Performing substantive analytical procedures at a more detailed level or lowering thresholds when performing substantive analytical procedures for further investigation of unusual or unexpected relationships.
- Using automated tools and techniques, such as anomaly detection or statistical methods, on an entire population to identify items for further investigation.

- A127. The extent to which the auditor chooses to incorporate an element of unpredictability in the selection of the nature, timing, and extent of audit procedures is a matter of professional judgement. The auditor may, when incorporating an element of unpredictability in the selection of the nature, timing, and extent of audit procedures, refer to Appendix 2 of this ASA for examples of possible audit procedures to use when addressing the assessed risks of material misstatement due to fraud.

Overall Responses (Ref: Para. 44)

A128. In accordance with paragraph 39(b), assessed risks of material misstatement due to fraud at the financial report level are also treated as significant risks. This has a significant bearing on the auditor's general approach and thereby the auditor's overall responses to such risks.

Examples:

- Increased sensitivity in the selection of the nature and extent of documentation to be examined in support of material transactions.
- Increased recognition of the need to corroborate management's explanations or representations concerning significant matters.
- Increased involvement of auditor's experts to assist the engagement team with complex or subjective areas of the audit.
- Changing the composition of the engagement team by, for example, requesting that more experienced individuals with greater skills or knowledge or specific expertise are assigned to the engagement.
- Increasing the extent and frequency of the direction and supervision of engagement team members and a more detailed review of their work.
- Using direct extraction methods or technologies when obtaining data from the entity's information system for use in automated tools and techniques to address the risk of data manipulation.
- Increased emphasis on tests of details.

Audit Procedures Responsive to the Assessed Risks of Material Misstatement Due to Fraud at the Assertion Level (Ref: Para. 46)

A129. In accordance with paragraph 39(b), assessed risks of material misstatement due to fraud are treated as significant risks. ASA 330 requires the auditor to obtain more persuasive evidence the higher the auditor's assessment of risk. When obtaining more persuasive audit evidence to respond to assessed risks of material misstatement due to fraud, the auditor may increase the quantity of the evidence, or obtain evidence that is more relevant and reliable, for example, by placing more emphasis on obtaining third party evidence or by obtaining audit evidence from a number of independent sources.

Examples:**Nature**

- The auditor identifies that management is under pressure to meet earnings expectations and accordingly there may be a related risk that management is inflating sales by entering into sales agreements that include terms that preclude revenue recognition or by invoicing sales before delivery. In these circumstances, the auditor may, for example, design external confirmations not only to confirm outstanding amounts, but also to confirm the details of the sales agreements, including date, any rights of return and delivery terms. In addition, the auditor may find it effective to supplement such external confirmations with enquiries of non-financial personnel in the entity regarding any changes in sales agreements and delivery terms.

Timing

- The auditor may conclude that performing substantive testing at or near the period end better addresses an assessed risk of material misstatement due to fraud. The auditor may conclude that, given the assessed risks of intentional misstatement or manipulation, audit procedures to extend audit conclusions from an interim date to the period end would not be effective. In contrast, because an intentional misstatement — for example, a misstatement involving improper revenue recognition — may have been initiated in an interim period, the auditor may elect to apply substantive procedures to transactions occurring earlier in or throughout the reporting period.

Extent

- The auditor may use automated tools and techniques to perform more extensive testing of digital information. Such automated techniques may be used to test all items in a population, select specific items for testing that are responsive to risks of material misstatement due to fraud, or select items for testing when performing audit sampling. For example, the auditor may stratify the population based on specific characteristics to obtain more relevant audit evidence that is responsive to the risks of material misstatement due to fraud.

External Confirmation Procedures

- A130. In applying ASA 330,⁶⁰ external confirmation procedures may be considered useful when seeking audit evidence that is not biased towards corroborating or contradicting a relevant assertion in the financial report, especially in instances where risks of material misstatement due to fraud have been identified related to the class of transactions, account balance or disclosure.
- A131. ASA 505⁶¹ requires the auditor to maintain control over the external confirmation requests and to evaluate the implications of management's refusal to allow the auditor to send a confirmation request. If the auditor is unable to maintain control over the confirmation process or obtains an unsatisfactory response as to why management refuses to allow the auditor to send a confirmation request, as applicable, then this may be an indication of a fraud risk factor.
- A132. The use of external confirmation procedures may be more effective or provide more persuasive audit evidence over the terms and conditions of a contractual agreement.

Example:

The auditor may request confirmation of the contractual terms for a specific class of revenue transactions, such as pricing, payment and discount terms, applicable guarantees and the existence, or absence, of any side agreements.

- A133. ASA 505⁶² includes factors that may indicate doubts about the reliability of a response to an external confirmation request, since all responses carry some risk of interception, alteration, or fraud. This may be the case when the response to a confirmation request:
- Is sent from an e-mail address that is not recognised.
 - Does not include the original electronic mail chain or any other information indicating that the confirming party is responding to the auditor's confirmation request.

⁶⁰ See ASA 330, paragraph 19.

⁶¹ See ASA 505, *External Confirmations*, paragraphs 7—and 8.

⁶² See ASA 505, paragraph A11.

- Contains unusual restrictions or disclaimers.

A134. ASA 505⁶³ includes guidance for the auditor when a response to a confirmation request indicates a difference between information requested to be confirmed, or contained in the entity's records, and information provided by the confirming party.

Example:

A response to a bank confirmation request indicated that a bank account, in the name of wholly owned subsidiary incorporated in an offshore financial centre, did not exist. Upon investigating the exception, the auditor determined that the entity misstated its financial report by overstating its cash balance.

Examples of Other Further Audit Procedures

A135. Examples of possible audit procedures to address the assessed risks of material misstatement due to fraud are presented in Appendix 2. The Appendix includes examples of responses to the auditor's assessment of the risks of material misstatement resulting from both fraudulent financial reporting, including fraudulent financial reporting resulting from revenue recognition, and misappropriation of assets.

Audit Procedures Responsive to Risks of Material Misstatement Due to Fraud Related to Management Override of Controls

Journal Entries and Other Adjustments (Ref: Para. 48–49)

Why the testing of journal entries and other adjustments is performed

A136. Material misstatements of the financial report due to fraud often involve the manipulation of the financial reporting process by recording inappropriate or unauthorised journal entries in the general ledger and other adjustments. This may occur throughout the year or at period end, or by management making adjustments to amounts reported in the financial report that are not reflected in journal entries, such as through consolidation adjustments and reclassifications.

A137. Testing the appropriateness of journal entries recorded in the general ledger and other adjustments (e.g., entries made directly to the financial report such as eliminating adjustments for transactions, unrealised profits and intra-group account balances at the group level) may assist the auditor in identifying fraudulent journal entries and other adjustments.

A138. The auditor's consideration of the risks of material misstatement associated with management override of controls over journal entries⁶⁴ is important because automated processes and controls may reduce the risk of inadvertent error but do not overcome the risk that management may inappropriately override such automated processes and controls, for example, by changing the amounts being automatically posted in the general ledger or to the financial reporting system. Further, where IT is used to transfer information automatically, there may be little or no visible evidence of such intervention in the information systems.

A139. In planning the audit,⁶⁵ drawing on the experience and insight of the engagement partner or other key members of the engagement team may be helpful in designing audit procedures to test the appropriateness of journal entries and other adjustments (e.g., to address the risks of management override of controls), including planning for the appropriate resources, and determining the nature, timing and extent of the related direction, supervision, and review of the work being performed.

⁶³ See ASA 505, paragraphs 14 and A21–A22.

⁶⁴ See ASA 315, paragraph 26(a)(ii).

⁶⁵ See ASA 300, *Planning an Audit of a Financial Report*, paragraphs 5, 9 and 12.

Obtaining audit evidence about the completeness of the population of journal entries and other adjustments (Ref: Para. 49(b))

- A140. The population of journal entries may include manual adjustments, or other “top-side” adjustments that are made directly to the amounts reported in the financial report. Failing to obtain audit evidence about the completeness of the population may limit the effectiveness of the audit procedures in responding to the risks of management override of controls associated with fraudulent journal entries and other adjustments.

Selecting journal entries and other adjustments (Ref: Para. 49(c) and 49(d))

- A141. Prior to selecting items to test, the auditor may need to consider whether the integrity of the population of journal entries and other adjustments has been maintained throughout all stages of information processing based on the auditor’s understanding and evaluation of the entity’s information system and control activities (e.g., general IT controls that safeguard and maintain the integrity of financial information) in accordance with the requirements of ASA 315.⁶⁶
- A142. The auditor’s understanding of the entity and its environment, the applicable financial reporting framework, and the entity’s system of internal control may assist the auditor in selecting journal entries and other adjustments for testing.

Examples:

The process of selecting journal entries and other adjustments for testing may be enhanced if the auditor leverages insights based on the auditor’s understanding about:

- How the financial report (including events and transactions) may be susceptible to material misstatement due to fraud, particularly in areas where fraud risk factors are present.
- The application of accounting principles and methods that may be susceptible to material misstatement due to management bias.
- Deficiencies in internal control that present opportunities for those charged with governance, management, or others within the entity to commit fraud.

- A143. Appendix 4 provides additional considerations that may be used by the auditor when selecting journal entries and other adjustments for testing.

Timing of testing journal entries and other adjustments (Ref: Para. 49(c) and 49(d))

- A144. Fraudulent journal entries and other adjustments are often made at the end of a reporting period; consequently, paragraph 49(c) requires the auditor to select journal entries and other adjustments made at that time.

Example:

- Among the journal entries and other adjustments most susceptible to management override of controls are manual adjusting journal entries and other adjustments directly made to the financial report that occur after the closing of a financial reporting period and have little or no explanatory support.

- A145. Paragraph 49(d) requires the auditor to determine whether there is also a need to test journal entries and other adjustments throughout the period because material misstatements due to

⁶⁶ See ASA 315, paragraphs 25–26.

fraud can occur throughout the period and may involve extensive efforts to conceal how the fraud is accomplished.

Examples:

- Risks of material misstatement that may be strongly linked to fraud schemes that can occur over a long period of time (e.g., complex related party transaction structures that may obscure their economic substance).
- Anomalies or outliers in the journal entry data throughout the period that may be detected from the use of automated tools and techniques.

Examining the underlying support for journal entries and other adjustments selected (Ref: Para. 49(c) and 49(d))

A146. When testing the appropriateness of journal entries and other adjustments, the auditor may need to obtain and examine supporting documentation to determine the business rationale for recording them, including whether the recording of the journal entry reflects the substance of the transaction and complies with the applicable financial reporting framework.

Considering the use of automated tools and techniques when testing journal entries and other adjustments (Ref: Para. 49(b) and 49(c))

A147. The auditor may consider the use of automated tools and techniques when testing journal entries and other adjustments (e.g., determining the completeness of the population or selecting items to test). Such consideration may be impacted by the entity's use of technology in processing journal entries and other adjustments.

Accounting Estimates (Ref: Para. 50–51)

Why the review of accounting estimates for management bias is performed

A148. The preparation of the financial report requires management to make a number of judgements or assumptions that affect accounting estimates and to monitor the reasonableness of such estimates on an ongoing basis. Fraudulent financial reporting is often accomplished through intentional misstatement of accounting estimates. For example, this may be achieved by understating or overstating provisions or reserves so as to be designed either to smooth earnings over two or more accounting periods, or to achieve a designated earnings level in order to deceive financial report users by influencing their perceptions as to the entity's performance and profitability.

A149. ASA 315 provides guidance that management bias is often associated with certain conditions that have the potential to give rise to management not maintaining neutrality in exercising judgement (i.e., indicators of potential management bias), which could lead to a material misstatement of the information that would be fraudulent if intentional.⁶⁷

Indicators of possible management bias

A150. ASA 540⁶⁸ includes a requirement and related application material addressing indicators of possible management bias.

Examples:

⁶⁷ See ASA 315, paragraph 2 of Appendix 2.

⁶⁸ See ASA 540, paragraphs 32 and A133–A136.

Indicators of possible management bias in how management made the accounting estimates that may represent a risk of material misstatement due to fraud include:

- Changes in methods, significant assumptions, sources, or items of data selected that are not based on new circumstances or new information, which may not be reasonable in the circumstances nor in compliance with the applicable financial reporting framework.
- Adjustments, made to the output of the model(s), that are not appropriate in the circumstances when considering the requirements of the applicable financial reporting framework.

A151. The auditor may use automated tools and techniques to review accounting estimates for management bias.

Examples:

- Analysing the activity in an estimate account during the year and comparing it to the current and prior period estimates.
- Benchmarking assumptions used for the estimate, using data visualisation to understand the location of point estimates within the range of acceptable outcomes.
- Using predictive analytics to identify the likelihood of future outcomes based on historical data.

A152. If there are indicators of possible management bias that may be intentional, the auditor may consider it appropriate to involve individuals with forensic skills in performing the review of accounting estimates for management bias in accordance with paragraphs 50–51. Applying forensic skills through analysing accounting records, conducting interviews, reviewing internal and external communications, investigating related party transactions, or reviewing internal controls may also assist the auditor in evaluating whether the indicators of possible management bias represent a material misstatement due to fraud.

Significant Transactions Outside the Normal Course of Business or Otherwise Appear Unusual (Ref: Para. 52)

A153. Indicators that may suggest that significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual, may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets include:

- The form of such transactions appears overly complex (e.g., the transaction involves multiple entities within a consolidated group or multiple unrelated third parties).
- Management has not discussed the nature of and accounting for such transactions with those charged with governance of the entity, and there is inadequate documentation.
- Management is placing more emphasis on the need for a particular accounting treatment than on the underlying economics of the transaction.
- Transactions that involve non-consolidated related parties, including special purpose entities, have not been properly reviewed or approved by those charged with governance of the entity.
- Unusual activities with no logical business rationale.

- The transactions involve previously unidentified related parties or parties that do not have the substance or the financial strength to support the transaction without assistance from the entity under audit.

Analytical Procedures Performed Near the End of the Audit in Forming an Overall Conclusion (Ref: Para. 53)

A154. ASA 520 explains that the analytical procedures performed near the end of the audit are intended to corroborate conclusions formed during the audit of individual components or elements of the financial report.⁶⁹ However, the auditor may perform the analytical procedures at a more granular level for certain higher risk classes of transactions, account balances, and disclosures to determine whether certain trends or relationships may indicate a previously unidentified risk of material misstatement due to fraud. Determining which particular trends and relationships may indicate a risk of material misstatement due to fraud requires professional judgement. Unusual relationships involving year-end revenue and income are particularly relevant.

Examples:

- Uncharacteristically large amounts of income being reported in the last few weeks of the reporting period.
- Unusual transactions.
- Income or expenses that is inconsistent with trends in cash flow from operations:
 - Uncharacteristically low amounts of revenue or expenses at the start of the subsequent period; or
 - Uncharacteristically high levels of refunds or credit notes at the start of the subsequent period.

A155. The auditor may use automated tools and techniques to identify unusual or inconsistent transaction posting patterns in order to determine if there is a previously unrecognised risk of material misstatement due to fraud.

Fraud or Suspected Fraud (Ref: Para. ~~5455~~–5758)

A156. If the auditor identifies fraud or suspected fraud, the firm's policies or procedures may include actions for the engagement partner to take, depending on the facts and circumstances of the audit engagement and the nature of the fraud.

Examples:

- Consulting with others in the firm.
- Obtaining legal advice from external counsel to understand the engagement partner's options and the professional or legal implications of taking any particular course of action.
- Consulting 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).

⁶⁹ See ASA 520, paragraphs A17–A19.

A157. In accordance with ASA 220,⁷⁰ the engagement partner is required to take responsibility for making the engagement team aware of the firm's policies or procedures related to relevant ethical requirements. This includes the responsibilities of members of the engagement team when they become aware of an instance of non-compliance with laws and regulations by the entity, which includes instances of fraud.

Obtaining an Understanding of the Fraud or Suspected Fraud

A158. The determination of which level of management is the appropriate one is a matter of professional judgement and is affected by such factors as the likelihood of collusion and the nature and magnitude of the suspected fraud. Ordinarily, the appropriate level of management is at least one level above the persons who appear to be involved with the fraud or suspected fraud.

A159. When obtaining an understanding of the fraud or suspected fraud, the auditor may do one or more of the following depending on the facts and circumstances of the audit engagement and the nature of the fraud:

- Involve an auditor's expert, such as an individual with forensic skills.
- Inspect the entity's whistleblower program files for additional information.
- Make further enquiries of:
 - The entity's in-house counsel or external legal counsel.
 - Individuals within the internal audit function (if the function exists).

Evaluating the Entity's Process to Investigate and Remediate the Fraud or Suspected Fraud

A160. The nature and extent of the entity's process to investigate the fraud or suspected fraud undertaken by management or those charged with governance may vary based on the circumstances, and may be influenced by the entity's assessment of the significance of fraud risks relevant to the entity's financial reporting objectives. For example, an entity's whistleblower program (or other program to report fraud) may set out policies or procedures to be followed in relation to investigation and remediation of matters, including the establishment of thresholds for taking further action.

Examples:

- New allegations of fraud were made by a disgruntled former employee. Management followed the policies and procedures in place at the entity and referred the matter to the legal and human resources departments. Since the entity's policies and procedures were followed and prior allegations with similar facts and circumstances had been investigated and determined to be without merit, management determined that no further action was necessary.
- A suspected fraud involving a senior member of management was reported to those charged with governance by an employee. As a result, those charged with governance followed the policies and procedures in place at the entity, including engaging a certified fraud examiner to perform an independent forensic investigation.

⁷⁰ See ASA 220, paragraph 17(c).

A161. When evaluating the appropriateness of the entity's investigation process and remedial actions implemented to respond to the fraud or suspected fraud in accordance with paragraphs 5455(b) and 5455(c), the auditor may consider:

- In relation to the entity's process to investigate the fraud or suspected fraud:
 - The objectivity and competence of individuals involved in the entity's process to investigate the fraud or suspected fraud.
 - The nature, timing and extent of procedures to investigate the fraud or suspected fraud, including identification of root causes, if applicable.
- In relation to the entity's actions to remediate the fraud or suspected fraud:
 - Whether the remedial actions address the root cause(s).
 - Whether the remedial actions are proportionate to the severity and pervasiveness of the identified fraud or suspected fraud and the urgency with which the matter needs to be addressed, including how management:
 - ◆ Responded to any misstatements that were identified (e.g., the timeliness of when the identified misstatements were corrected by management).
 - ◆ Responded to the fraud (e.g., disciplinary, or legal sanctions imposed on the individuals involved in perpetrating the fraud).
 - ◆ Addressed the control deficiencies regarding the prevention or detection of the fraud.

A162. The auditor may use information obtained from their understanding of the entity's whistleblower program in accordance with paragraph 32(a)(ii), including the entity's process for investigating and remediating allegations of fraud that came through the entity's whistleblower program, to determine whether a fraud or suspected fraud is clearly inconsequential.

Example:

- Based on an understanding of the suspected fraud obtained through understanding the entity's whistleblower program, the engagement partner determined the suspected fraud was clearly inconsequential because it was limited to the misappropriation of immaterial assets by employees.

Impact on the Overall Audit Strategy

A163. The understanding obtained about the fraud or suspected fraud impacts the engagement partner's determination of whether and how to adjust the overall audit strategy, including determining whether there is a need to perform additional risk assessment procedures or further audit procedures, especially in circumstances when information comes to the engagement partner's attention that differs significantly from the information available when the overall audit strategy was originally established.⁷¹

⁷¹ See ASA 300, paragraphs 10 and A15A18.

- A164. As described in ASA 220,⁷² in fulfilling the requirement in paragraph 5556, the engagement partner may obtain information from other members of the engagement team (e.g., component auditors).
- A165. Based on the understanding obtained about the fraud or suspected fraud and the impact on the overall audit strategy, the engagement partner may determine that it is necessary to discuss an extension of the audit reporting deadlines with management and those charged with governance, where an extension is possible under applicable law or regulation. If an extension is not possible, ASA 705 deals with the implications for the auditor's opinion on the financial report.

Example:

- Based on an understanding of the suspected fraud, the engagement partner believed the integrity of management was in question. Given the significance and pervasiveness of the matter, the engagement partner determined that no further work was to be performed across the entire audit engagement until the matter had been appropriately resolved.

The Auditor Identifies a Misstatement Due to Fraud

- A166. ASA 450⁷³ and ASA 700⁷⁴ establish requirements and provide guidance on the evaluation of misstatements and the effect on the auditor's opinion in the auditor's report.
- A167. The following are examples of qualitative or quantitative circumstances that may be relevant when determining whether the misstatement due to fraud is material:

Examples:

Qualitative circumstances include whether a misstatement:

- Involves those charged with governance, management, related parties, or third parties that brings into question the integrity or competence of those involved.
- Affects compliance with law or regulation which may also affect the auditor's consideration of the integrity of management, those charged with governance or employees.
- Affects compliance with debt covenants or other contractual requirements which may cause the auditor to question the pressures being exerted on management to meet certain earnings expectations.

Quantitative circumstances include whether a misstatement:

- Affects key performance indicators such as earnings per share, net income and working capital, that may have a negative effect on the calculation of compensation arrangements for senior management at the entity.
- Affects multiple reporting periods such as when a misstatement has an immaterial effect on the current period's financial report but is likely to have a material effect on future periods' financial report.

⁷² See ASA 220, paragraph 9.

⁷³ See ASA 450, *Evaluation of Misstatements Identified during the Audit*.

⁷⁴ See ASA 700, *Forming an Opinion and Reporting on a Financial Report*.

A168. The implications of an identified misstatement due to fraud on the reliability of information intended to be used as audit evidence depends on the circumstances. For example, an otherwise insignificant fraud may be significant if it involves senior management. In such circumstances, the reliability of information previously obtained and intended to be used as audit evidence may be called into question as there may be doubts about the completeness and truthfulness of representations made and about the authenticity of accounting records and documentation.

A169. Since fraud involves incentive or pressure to commit fraud, a perceived opportunity to do so or some rationalisation of the act, an instance of fraud is unlikely to be an isolated occurrence. Misstatements, such as numerous misstatements at a business unit or geographical location even though the cumulative effect is not material, may also be indicative of a risk of material misstatement due to fraud.

Considerations Specific to Public Sector Entities

A170. For public sector entities, an example of both qualitative and quantitative circumstance includes whether a misstatement affects the determination of the surplus or deficit reported for the period, or whether or not the public sector entity has met or exceeded its approved budget, including where relevant, whether its expenses are within statutory limits.

Determining if Control Deficiencies Exist

A171. ASA 265⁷⁵ provides requirements and guidance about the auditor's communication of significant deficiencies in internal control identified during the audit to those charged with governance. Examples of matters that the auditor considers in determining whether a deficiency or combination of deficiencies in internal control constitutes a significant deficiency include:

- The susceptibility to loss due to fraud of the related asset or liability.
- The importance of the controls to the financial reporting process (e.g., controls over the prevention and detection of fraud).

A172. Indicators of significant deficiencies in internal control include, for example:

- Evidence of ineffective aspects of the control environment, such as the identification of management fraud, whether or not material, that was not prevented by the entity's system of internal control.
- The lack of a process to investigate the fraud or suspected fraud or a process to investigate the fraud or suspected fraud that is not appropriate in the circumstances.
- The lack of, or ineffective, remediation measures implemented by management to prevent or detect the reoccurrence of the fraud or suspected fraud.

Auditor Unable to Continue the Audit Engagement (Ref: Para. 5859)

A173. Examples of exceptional circumstances that may arise and that may bring into question the auditor's ability to continue performing the audit include:

- The entity does not take the appropriate action regarding fraud that the auditor considers necessary in the circumstances, even where the fraud is not material to the financial report;

⁷⁵ See ASA 265, paragraphs 8 and A6–A7.

- The auditor's consideration of the risks of material misstatement due to fraud or the results of audit procedures performed indicate a material and pervasive fraud; or
- The auditor has significant concern about the competence or integrity of management or those charged with governance.

A174. Because of the variety of circumstances that may arise, it is not possible to describe definitively when withdrawal from an engagement is appropriate. Factors that affect the auditor's conclusion include the implications of the involvement of a member of management or of those charged with governance (which may affect the reliability of management representations) and the effects on the auditor of a continuing association with the entity.

A175. The auditor has professional and legal responsibilities in such circumstances and these responsibilities may vary by jurisdiction. In some countries, for example, the auditor may be entitled to, or required to, make a statement or report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities. Given the exceptional nature of the circumstances and the need to consider the legal requirements, the auditor may consider it appropriate to seek legal advice when deciding whether to withdraw from an engagement and in determining an appropriate course of action, including the possibility of reporting to shareholders, regulators or others.⁷⁶

Aus A175.1 For an audit engagement under the *Corporations Act 2001* (the Act), the possibility of withdrawing from the engagement or resigning from the appointment as an auditor can only be made in accordance with the provisions of the Act, including in certain circumstances, obtaining consent to resign from the Australian Securities and Investments Commission (ASIC).

Considerations Specific to Public Sector Entities

A176. In many cases in the public sector, the option of withdrawing from the engagement may not be available to the auditor due to the nature of their legal mandate, based on public interest considerations.

Auditor's Report (Ref: Para. ~~5960~~ ~~6162~~)

Determining Key Audit Matters Related to Fraud

A177. Users of the financial report are interested in matters related to fraud about which the auditor had a robust dialogue with those charged with governance. The considerations in paragraph ~~59~~ ~~60~~ focus on the nature of matters communicated with those charged with governance that are intended to reflect matters related to fraud that may be of particular interest to intended users.

A178. In addition to matters that relate to the specific required considerations in paragraph ~~5960~~, there may be other matters related to fraud communicated with those charged with governance that required significant auditor attention and that therefore may be determined to be key audit matters in accordance with paragraph ~~6061~~.

A179. Matters related to fraud are often matters that require significant auditor attention. For example, the identification of fraud or suspected fraud may require significant changes to the auditor's risk assessment and re-evaluation of the planned audit procedures (i.e., a significant change in the audit approach).

A180. The determination of key audit matters involves making a judgement 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 report of a ~~listed-publicly traded~~

⁷⁶ The Code, paragraphs 320.5 A1–R320.8, provides requirements and application material on communications with the existing or predecessor accountant, or the proposed accountant.

entity would not determine at least one key audit matter related to fraud. However, in certain limited circumstances, the auditor may determine that there are no matters related to fraud that are key audit matters in accordance with paragraph ~~60~~61.

- A181. Accounting estimates are often the most complex areas of the financial report because they may be dependent on significant management judgement. Significant auditor attention may be required in accordance with paragraph ~~59~~60(a) to respond to assessed risks of material misstatement due to fraud associated with an accounting estimate that involves significant management judgement. Significant management judgement is often involved when an accounting estimate is subject to a high degree of estimation uncertainty and subjectivity.

Example:

The auditor determines significant auditor attention was required to respond to the risk of material misstatement due to fraud associated with the entity's estimate of expected credit losses. Management utilises a model that requires a complex set of assumptions about future developments in a variety of entity-specific scenarios that are difficult to predict. Based on the auditor's identification of aggressive profitability expectations of investment analysts about the entity, the auditor identified a risk of material misstatement due to fraud because of the subjectivity involved in the expected credit losses estimate and the incentive this creates for intentional management bias.

- A182. ASA 265 requires the auditor to communicate a significant deficiency in internal control to those charged with governance that is relevant to the prevention and detection of fraud. Significant deficiencies may exist even though the auditor has not identified misstatements during the audit. For example, the lack of a whistleblower program (or other program to report fraud) may be indicative of deficiencies in the entity's control environment, but it may not directly relate to a risk of material misstatement due to fraud. The auditor may also communicate these deficiencies to management.
- A183. This ASA requires management override of controls to be a risk of material misstatement due to fraud (see paragraph 40) and presumes that there are risks of material misstatement due to fraud in revenue recognition (see paragraph 41). The auditor may determine these matters to be key audit matters related to fraud because risks of material misstatement due to fraud are often matters that both require significant auditor attention and are of most significance in the audit. However, this may not be the case for all these matters. The auditor may determine that certain risks of material misstatement due to fraud did not require significant auditor attention and, therefore, these risks would not be considered in the auditor's determination of key audit matters in accordance with paragraph 60.
- A184. As described in ASA 701,⁷⁷ the auditor's decision-making process in determining key audit matters is based on the auditor's professional judgement about which matters were of most significance in the audit of the financial report of the current period. Significance can be considered in the context of quantitative and qualitative factors, such as relative magnitude, the nature and effect on the subject matter and the expressed interests of intended users or recipients.⁷⁸
- A185. One of the considerations that may be relevant in determining the relative significance of a matter that required significant auditor attention, and whether such a matter is a key audit matter, is the importance of the matter to intended users' understanding of the financial report as a whole.⁷⁹ As users of the financial report are interested in matters related to fraud, one or more of the matters related to fraud that required significant auditor attention in performing the audit, determined in accordance with paragraph ~~59~~60, would ordinarily be of most

⁷⁷ See ASA 701, paragraph 10.

⁷⁸ See ASA 701, paragraph A1.

⁷⁹ See ASA 701, paragraph A29.

significance in the audit of the financial report of the current period and therefore are key audit matters.

- A186. ASA 701⁸⁰ includes other considerations that may be relevant to determining which matters related to fraud that required significant auditor attention, were of most significance in the current period and therefore are key audit matters.

Communicating Key Audit Matters Related to Fraud

- A187. If a matter related to fraud is determined to be a key audit matter and there are a number of separate, but related, considerations that were of most significance in the audit, the auditor may communicate the matters together in the auditor's report. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition and revenue recognition may also be identified as a risk of material misstatement due to fraud. In such circumstances, the auditor may include in the auditor's report one key audit matter related to revenue recognition with an appropriate subheading that clearly describes the matter, including that it relates to fraud.
- A188. Relating a matter directly to the specific circumstances of the entity may help to minimise the potential that such descriptions become overly standardised and less useful over time. In describing why the auditor considered the matter to be one of most significance in the audit, the auditor may highlight aspects specific to the entity (e.g., circumstances that affected the underlying judgements made in the financial report of the current period) so as to make the description more relevant for intended users. This may be particularly important in describing a key audit matter that recurs over multiple periods. Similarly, in describing how the key audit matter related to fraud was addressed in the audit, the auditor may highlight matters directly related to the specific circumstances of the entity, while avoiding generic or standardised language.
- A189. ASA 701⁸¹ includes considerations and guidance on original information (information about the entity that has not otherwise been made publicly available by the entity) that may be particularly relevant in the context of communicating key audit matters related to fraud.
- A190. ASA 701⁸² describes that management or those charged with governance may decide to include new or enhanced disclosures in the financial report or elsewhere in the annual report relating to a key audit matter in light of the fact that the matter will be communicated in the auditor's report. Such new or enhanced disclosures, for example, may be included to provide more robust information about identified fraud or suspected fraud or identified deficiencies in internal control that are relevant to the prevention and detection of fraud.

Circumstances in Which a Matter Determined to Be a Key Audit Matter Is Not Communicated in the Auditor's Report

- A191. ASA 701, paragraph 14(b), indicates that it will be extremely rare for a matter determined to be a key audit matter not to be communicated in the auditor's report and includes guidance on circumstances in which such a matter determined to be a key audit matter is not communicated in the auditor's report. For example:
- Law or regulation may preclude public disclosure by either management or the auditor about a specific matter determined to be a key audit matter.
 - There is presumed to be a public interest benefit in providing greater transparency about the audit for intended users. Accordingly, the judgement not to communicate a key audit matter is appropriate only in cases when the adverse consequences to the

⁸⁰ See ASA 701, paragraph A29.

⁸¹ See ASA 701, paragraphs A34–A36.

⁸² See ASA 701, paragraph A37.

entity or the public as a result of such communication are viewed as so significant that they would reasonably be expected to outweigh the public interest benefits of communicating about the matter.⁸³

- A192. It may also be necessary for the auditor to consider the implications of communicating about a matter determined to be a key audit matter in light of relevant ethical requirements.⁸⁴ In addition, the auditor may be required by law or regulation to communicate with applicable regulatory, enforcement or supervisory authorities in relation to the matter, regardless of whether the matter is communicated in the auditor's report.

Written Representations (Ref: Para. 6263)

- A193. ASA 580⁸⁵ establishes requirements and provides guidance on obtaining appropriate representations from management and, where appropriate, those charged with governance in the audit. Although written representations are an important source of audit evidence, they do not provide sufficient appropriate audit evidence on their own about any of the matters with which they deal. In addition, since management are in a unique position to perpetrate fraud, it is important for the auditor to consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence in drawing the conclusion required in accordance with ASA 330.⁸⁶
- A194. ASA 580⁸⁷ also addresses circumstances when the auditor has doubt as to the reliability of written representations, including if written representations are inconsistent with other audit evidence. Doubts about the reliability of information from management may indicate a risk of material misstatement due to fraud.

Communications with Management and Those Charged with Governance (Ref: Para. 6364–6566)

- A195. In some jurisdictions, law or regulation may restrict the auditor's communication of certain matters with management and those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report the fraud to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.
- Aus A195.1 Legislation may require the auditor or a member of the audit team to maintain the confidentiality of information disclosed to the auditor, or a member of the audit team, by a person regarding contraventions or possible contraventions of the law.* In such circumstances, the auditor or a member of the audit team may be prevented from communicating that information to management or those charged with governance in order to protect the identity of the person who has disclosed confidential information that alleges a breach of the law. In such circumstances, the auditor may consider obtaining legal advice to assist in determining the appropriate course of action and may need to consider the implications for the audit engagement.

⁸³ See ASA 701, paragraphs A53–A54.

⁸⁴ For example, except for certain specified circumstances, paragraph R114.2 of the Code does not permit the use or disclosure of information in respect of which the duty of confidentiality applies. As one of the exceptions, paragraph R114.3 of the Code permits the professional accountant to disclose or use confidential information where there is a legal or professional duty or right to do so. Paragraph 114.3 A1(b)(iv) of the Code explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

⁸⁵ See ASA 580, *Written Representations*.

⁸⁶ See ASA 330, paragraph 26.

⁸⁷ See ASA 580, paragraphs 16–18.

* See, for example, the *Corporations Act 2001*, Part 9.4AAA Protection for Whistleblowers.

*Communication with Management (Ref: Para. **6364**)*

A196. If the auditor identifies fraud or suspected fraud, it is important that the matter be brought to the attention of the appropriate level of management as soon as practicable, even if the matter may be considered clearly inconsequential (e.g., a minor misappropriation of funds by an employee at a low level in the entity's organisation).

*Communication with Those Charged with Governance (Ref: Para. **6465**)*

A197. The auditor's communication with those charged with governance may be made orally or in writing. ASA 260 identifies factors the auditor considers in determining whether to communicate orally or in writing.⁸⁸ Due to the nature and sensitivity of fraud involving senior management, or fraud that results in a material misstatement in the financial report, the auditor reports such matters on a timely basis and may consider it necessary to also report such matters in writing.

A198. In some cases, the auditor may consider it appropriate to communicate with those charged with governance fraud or suspected fraud involving others that the auditor determined to be clearly inconsequential. Similarly, those charged with governance may wish to be informed of such circumstances. The communication process is assisted if the auditor and those charged with governance agree at an early stage in the audit about the nature and extent of the auditor's communications in this regard.

A199. In the exceptional circumstances where the auditor has doubts about the integrity or honesty of management or those charged with governance, the auditor may consider it appropriate to obtain legal advice to assist in determining the appropriate course of action.

*Other Matters Related to Fraud (Ref: Para. **6566**)*

A200. Other matters related to fraud to be discussed with those charged with governance of the entity may include, for example:

- Concerns about the nature, extent, and frequency of management's assessments of the controls in place to prevent or detect fraud and of the risk that the financial report may be misstated.
- A failure by management to appropriately address identified significant deficiencies in internal control, or to appropriately respond to an identified fraud.
- The auditor's evaluation of the entity's control environment, including questions regarding the competence and integrity of management.
- Actions by management that may be indicative of fraudulent financial reporting, such as management's selection and application of accounting policies that may be indicative of management's effort to manage earnings in order to deceive financial report users by influencing their perceptions as to the entity's performance and profitability.
- Concerns about the adequacy and completeness of the authorisation of transactions that appear to be outside the normal course of business.

Reporting to an Appropriate Authority Outside the Entity (Ref: Para. **6667)**

A201. The reporting may be to applicable regulatory, enforcement, supervisory or other appropriate authority outside the entity.

⁸⁸ See ASA 260, paragraph A38.

A202. ASA 250⁸⁹ provides further guidance with respect to the auditor's determination of whether reporting identified or suspected non-compliance with laws or regulations to an appropriate authority outside the entity is required or appropriate in the circumstances, including consideration of the auditor's duty of confidentiality.⁹⁰

Aus A202.1 An auditor is required by the Corporations Act 2001 to notify the Australian Securities and Investments Commission (ASIC) if the auditor is aware of certain circumstances.*

A203. Factors the auditor may consider in determining whether it is appropriate to report the matter to an appropriate authority outside the entity, when not prohibited by law, regulation, or relevant ethical requirements, may include:

- Any views expressed by regulatory, enforcement, supervisory or other appropriate authority outside of the entity.
- Whether reporting the matter would be acting in the public interest.

A204. Reporting fraud matters to an appropriate authority outside the entity may involve complex considerations and professional judgements. In those circumstances, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action.

Considerations Specific to Public Sector Entities

A205. In the public sector, requirements for reporting fraud, whether or not discovered through the audit process, may be subject to specific provisions of the audit mandate or related law, regulation, or other authority.

Documentation (Ref: Para. 6768)

A206. ASA 230⁹¹ addresses circumstances when the auditor identifies information that is inconsistent with the auditor's final conclusion regarding a significant matter and requires the auditor to document how the auditor addressed the inconsistency.

⁸⁹ See ASA 250, paragraphs A28–A34.

⁹⁰ For example, paragraph R114.3 of the Code permits the professional accountant to disclose or use confidential information where there is a legal or professional right to do so. Paragraph 114.3 A1(b)(iv) of the Code explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

* See ASIC Regulatory Guide 34 *Auditor's obligations: reporting to ASIC* (March 2020), which provides guidance to help auditors comply with their obligations, under sections 311, 601HG and 990K of the *Corporations Act 2001*, to report contraventions and suspected contraventions to ASIC.

⁹¹ See ASA 230, paragraphs 11 and A15.

Appendix 1

(Ref: Para. [A25-A26](#) and [A42-A43](#))

Examples of Fraud Risk Factors

The fraud risk factors identified in this Appendix are examples of such factors that may be faced by auditors in a broad range of situations. Separately presented are examples relating to the two types of fraud relevant to the auditor's consideration — that is, fraudulent financial reporting and misappropriation of assets. For each of these types of fraud, the risk factors are further classified based on the three conditions generally present when material misstatements due to fraud occur: (a) incentives/pressures, (b) opportunities, and (c) attitudes/rationalisations. Although the risk factors cover a broad range of situations, they are only examples and, accordingly, the auditor may identify additional or different risk factors. Not all of these examples are relevant in all circumstances, and some may be of greater or lesser significance in entities of different size or with different ownership characteristics or circumstances. Also, the order of the examples of risk factors provided is not intended to reflect their relative importance or frequency of occurrence.

Risk Factors Relating to Misstatements Arising from Fraudulent Financial Reporting

The following are examples of risk factors relating to misstatements arising from fraudulent financial reporting.

Incentives/Pressures

Financial stability or profitability is threatened by economic, industry, geopolitical, or entity operating conditions, such as (or as indicated by):

- High degree of competition or market saturation, accompanied by declining margins.
- High vulnerability to rapid changes, such as changes in technology, product obsolescence, or interest rates.
- Increased volatility in financial and commodity markets due to fluctuations in interest rates and inflationary trends.
- Significant declines in customer demand and increasing business failures in either the industry or overall economy.
- Operating losses making the threat of bankruptcy, foreclosure, or hostile takeover imminent.
- Recurring negative cash flows from operations or an inability to generate cash flows from operations while reporting earnings and earnings growth.
- Rapid growth or unusual profitability especially compared to that of other companies in the same industry.
- New accounting, statutory, or regulatory requirements.
- Pandemics or wars triggering major disruptions in the entity's operations, financial distress and severe cashflow shortages.
- Economic sanctions imposed by governments and international organisations against a jurisdiction, including its companies and products.

Excessive pressure exists for management to meet the requirements or expectations of third parties due to the following:

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- Profitability or trend level expectations of investment analysts, institutional investors, significant creditors, or other external parties (particularly expectations that are aggressive or unrealistic), including expectations created by management in, for example, overly optimistic press releases or annual report messages.
 - Need to obtain additional debt or equity financing, or qualify for government assistance or incentives, to avoid bankruptcy or foreclosure, or to stay competitive — including financing of major research and development or capital expenditures.
 - Marginal ability to meet exchange listing requirements or debt repayment or other debt covenant requirements.
 - Perceived or real adverse effects of reporting poor financial results on significant pending transactions, such as initial public offerings, mergers and acquisitions, business combinations or contract awards.
 - Management enters into significant transactions that places undue emphasis on achieving key performance indicators to stakeholders (e.g., meeting earnings per share forecasts or maintaining the stock price).
 - Negative media attention on the entity or key members of management.

Information available indicates that the personal financial situation of management or those charged with governance is threatened by the entity's financial performance arising from the following:

- Significant financial interests in the entity.
- Significant portions of their compensation (e.g., bonuses, stock options, and earn-out arrangements) being contingent upon achieving aggressive targets for stock price, operating results, financial position, cash flow, or other key performance indicators.⁹²
- Personal guarantees of debts of the entity.

There is excessive pressure on management or operating personnel to meet financial targets established by those charged with governance, including sales or profitability incentive goals.

Considerations Specific to Public Sector Entities

- Public sector entities subject to statutory limits on their spending may result in inaccurate reporting of expenditure incurred.

Opportunities

The nature of the industry or the entity's operations provides opportunities to engage in fraudulent financial reporting that can arise from the following:

- Significant related-party transactions not in the ordinary course of business or with related entities not audited or audited by another firm.
- Assets, liabilities, revenues, or expenses based on significant estimates that involve subjective judgements or uncertainties that are difficult to corroborate.
- Significant, unusual, or highly complex transactions, especially those close to period end that pose difficult "substance over form" questions.

⁹² Management incentive plans may be contingent upon achieving targets relating only to certain accounts or selected activities of the entity, even though the related accounts or activities may not be material to the entity as a whole.

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- Significant operations located or conducted across international borders in jurisdictions where differing business environments and cultures exist.
 - Use of business intermediaries for which there appears to be no clear business justification.
 - Modifying, revoking, or amending revenue contracts through the use of side agreements that are typically executed outside the recognised business process and reporting channels.
 - Significant bank accounts or subsidiary or branch operations in tax-haven jurisdictions for which there appears to be no clear business justification.
 - Non-traditional entry to capital markets by the entity, for example, through an acquisition by, or merger with, a special-purpose acquisition company.
 - Aggressive stock promotions by the entity through press releases, investment newsletters, website coverage, online advertisements, email, or direct mail.

The monitoring of management is not effective as a result of the following:

- Domination of management by a single person or small group (in a non-owner-managed business) without compensating controls.
- Oversight by those charged with governance over the financial reporting process and internal control is not effective.
- Weakened control environment triggered by a shift in focus by management and those charged with governance to address more immediate needs of the business such as financial and operational matters.

There is a complex or unstable organisational structure, as evidenced by the following:

- Difficulty in determining the organisation or individuals that have controlling interest in the entity.
- Overly complex organisational structure involving unusual legal entities or managerial lines of authority.
- Overly complex IT environment relative to the nature of the entity's business, legacy IT systems from acquisitions that were never integrated into the entity's financial reporting system, or ineffective IT general controls.
- High turnover of senior management, legal counsel, or those charged with governance.

Deficiencies in internal control as a result of the following:

- Inadequate process to monitor the entity's system of internal control, including automated controls and controls over interim financial reporting (where external reporting is required).
- Inadequate fraud risk management program, including lack of a whistleblower program.
- Inadequate controls due to changes in the current environment, for example, increased data security risks from using unsecured networks that makes the entity's data and information more vulnerable to cybercrime.
- High turnover rates or employment of staff in accounting, IT, or the internal audit function that are not effective.
- Accounting and information systems that are not effective, including situations involving significant deficiencies in internal control.

Attitudes/Rationalisations

- Management and those charged with governance have not created a culture of honesty and ethical behaviour. For example, communication, implementation, support, or enforcement of the entity's values or ethical standards by management and those charged with governance are not effective, or the communication of inappropriate values or ethical standards.
- Non-financial management's excessive participation in or preoccupation with the selection of accounting policies or the determination of significant estimates.
- Known history of violations of securities laws or other laws and regulations, or claims against the entity, its senior management, or those charged with governance alleging fraud or violations of laws and regulations, including those dealing with corruption, bribery, and money laundering.
- Excessive interest by management in maintaining or increasing the entity's stock price or earnings trend.
- The practice by management of committing to analysts, creditors, and other third parties to achieve aggressive or unrealistic forecasts.
- Management and those charged with governance demonstrate an unusually high tolerance to risk or display an unusually high standard of lifestyle, a pattern of significant personal financial issues, or frequently engage in high-risk activities.
- Management and those charged with governance make materially false or misleading statements in other information included in the entity's annual report (e.g., key aspects of the entity's business, products, or technology).
- Management failing to remedy known significant deficiencies in internal control on a timely basis.
- An interest by management in employing inappropriate means to minimise reported earnings for tax- motivated reasons.
- Applying aggressive valuation assumptions in mergers and acquisitions to support high purchase prices or overvalue acquired intangible assets.
- Rationalising the use of unreasonable assumptions affecting the timing and amount of revenue recognition, for example, in an attempt to alleviate the negative effects of severe economic downturns.
- Rationalising the use of unreasonable assumptions used in projections to account for impairment of goodwill and intangible assets, for example, to avoid recognising significant impairment losses.
- Low morale among senior management.
- The owner-manager makes no distinction between personal and business transactions.
- Dispute between shareholders in a closely held entity.
- Recurring attempts by management to justify marginal or inappropriate accounting on the basis of materiality.
- The relationship between management and the current or predecessor auditor is strained, as exhibited by the following:

- Frequent disputes with the current or predecessor auditor on accounting, auditing, or reporting matters.
- Unreasonable demands on the auditor, such as unrealistic time constraints regarding the completion of the audit or the issuance of the auditor's report.
- Restrictions on the auditor that inappropriately limit access to people or information or the ability to communicate effectively with those charged with governance.
- Domineering management behaviour in dealing with the auditor, especially involving attempts to influence the scope of the auditor's work or the selection or continuance of personnel assigned to or consulted on the audit engagement.

Risk Factors Relating to Misstatements Arising from Misappropriation of Assets

Risk factors that relate to misstatements arising from misappropriation of assets are also classified according to the three conditions generally present when fraud exists: incentives/pressures, opportunities, and attitudes/rationalisation. Some of the risk factors related to misstatements arising from fraudulent financial reporting also may be present when misstatements arising from misappropriation of assets occur. For example, ineffective monitoring of management and other deficiencies in internal control may be present when misstatements due to either fraudulent financial reporting or misappropriation of assets exist. The following are examples of risk factors related to misstatements arising from misappropriation of assets.

Incentives/Pressures

Personal financial obligations may create pressure on management or employees with access to cash or other assets susceptible to theft to misappropriate those assets.

Adverse relationships between the entity and employees with access to cash or other assets susceptible to theft may motivate those employees to misappropriate those assets. For example, adverse relationships may be created by the following:

- Known or anticipated future employee layoffs.
- Recent or anticipated changes to employee compensation or benefit plans.
- Promotions, compensation, or other rewards inconsistent with expectations.

Opportunities

Certain characteristics or circumstances may increase the susceptibility of assets to misappropriation. For example, opportunities to misappropriate assets increase when there are the following:

- Large amounts of cash on hand or processed.
- Inventory items that are small in size, of high value, or in high demand.
- Easily convertible assets, such as bearer bonds, diamonds, or computer chips.
- Fixed assets that are small in size, marketable, or lacking observable identification of ownership.

Inadequate controls over assets may increase the susceptibility of misappropriation of those assets. For example, misappropriation of assets may occur because there is the following:

- Inadequate segregation of duties or independent checks.
- Inadequate oversight of senior management expenditures, such as travel and other re-imbursements.

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- Inadequate management oversight of employees responsible for assets, for example, inadequate supervision or monitoring of remote locations.
 - Inadequate job applicant screening of employees with access to assets.
 - Inadequate record keeping with respect to assets.
 - Inadequate system of authorisation and approval of transactions (e.g., in purchasing).
 - Inadequate physical safeguards over cash, investments, inventory, or fixed assets.
 - Lack of complete and timely reconciliations of assets.
 - Lack of timely and appropriate documentation of transactions, for example, credits for merchandise returns.
 - Lack of mandatory vacations for employees performing key control functions.
 - Inadequate management understanding of IT, which enables IT employees to perpetrate a misappropriation.
 - Inadequate access controls over automated records, including controls over and review of computer systems event logs.
 - Inadequate controls in supplier management, including changes in the supply chain, that may expose the entity to fictitious suppliers, or unvetted suppliers that pay kickbacks or are involved in other fraudulent or illegal activities.
 - Lack of oversight by those charged with governance over how management utilised financial aid from governments and local authorities (e.g., bailouts during pandemics, wars, or impending industry collapse).

Considerations Specific to Public Sector Entities

- Trust funds under administration – public sector entities often manage assets on behalf of others, including vulnerable individuals, which can be more susceptible to misuse.
- The nature of certain revenue transactions (e.g., taxes and grants) may provide a greater opportunity to manipulate the timing or amount of revenue recognised in the current period.

Attitudes/Rationalisations

- Disregard for the need for monitoring or reducing risks related to misappropriations of assets.
- Disregard for controls over misappropriation of assets by overriding existing controls or by failing to take appropriate remedial action on known deficiencies in internal control.
- Behaviour indicating displeasure or dissatisfaction with the entity or its treatment of the employee.
- Changes in behaviour or lifestyle that may indicate assets have been misappropriated.
- Tolerance of petty theft.
- Rationalising misappropriations committed during severe economic downturns by intending to pay back the entity when circumstances return to normal.

Appendix 2

(Ref: Para. [A58A59](#), [A125-A127](#) and [A133A135](#))

Examples of Possible Audit Procedures to Address the Assessed Risks of Material Misstatement Due to Fraud

The following are examples of possible audit procedures to address the assessed risks of material misstatement due to fraud resulting from both fraudulent financial reporting and misappropriation of assets. Although these procedures cover a broad range of situations, they are only examples and, accordingly they may not be the most appropriate nor necessary in each circumstance. Also, the order of the procedures provided is not intended to reflect their relative importance.

Consideration at the Assertion Level

Specific responses to the auditor's assessment of the risks of material misstatement due to fraud will vary depending upon the types or combinations of fraud risk factors or conditions identified, and the classes of transactions, account balances, disclosures and assertions they may affect.

The following are specific examples of responses:

- Visiting locations or performing certain tests on a surprise or unannounced basis. For example, observing inventory at locations where auditor attendance has not been previously announced or counting cash at a particular date on a surprise basis.
- Requesting that inventories be counted at the end of the reporting period or on a date closer to period end to minimise the risk of manipulation of balances in the period between the date of completion of the count and the end of the reporting period.
- Altering the audit approach in the current year. For example, contacting major customers and suppliers orally in addition to sending written confirmation, sending confirmation requests to a specific party within an organisation, or seeking more or different information.
- Performing a detailed review of the entity's quarter-end or year-end adjusting entries and investigating any that appear unusual as to nature or amount.
- For significant and unusual transactions, particularly those occurring at or near year-end, investigating the possibility of related parties and the sources of financial resources supporting the transactions.
- Performing substantive analytical procedures using disaggregated data. For example, comparing sales and cost of sales by location, line of business or month to expectations developed by the auditor.
- Conducting interviews of personnel involved in areas where a risk of material misstatement due to fraud has been identified, to obtain their insights about the risk and whether, or how, controls address the risk.
- Conducting interviews with personnel outside of the financial reporting function, for example, sales and marketing personnel.
- When other independent auditors are auditing the financial report of one or more subsidiaries, divisions, or branches, discussing with them the extent of work necessary to be performed to address the assessed risk of material misstatement due to fraud resulting from transactions and activities among these components.
- If the work of an expert becomes particularly significant with respect to a financial report item for which the assessed risk of material misstatement due to fraud is high, performing additional procedures relating to some or all of the expert's assumptions, methods or findings

to determine that the findings are not unreasonable or engaging another expert for that purpose.

- Performing audit procedures to analyse selected opening balance sheet accounts of previously audited financial report to assess how certain issues involving accounting estimates and judgements, for example, an allowance for sales returns, were resolved with the benefit of hindsight.
- Performing procedures on account or other reconciliations prepared by the entity, including considering reconciliations performed at interim periods.
- Using automated tools and techniques, such as data mining to test for anomalies in a population. For example, using automated tools and techniques to identify numbers that have been used frequently as there may be an unconscious bias by management or employees when posting fraudulent journal entries and other adjustments to use the same number repetitively.
- Testing the integrity of computer-produced records and transactions.
- Seeking additional audit evidence from sources outside of the entity being audited.

Considerations Specific to Public Sector Entities

- Testing whether grants or loans provided to third parties have met the relevant eligibility criteria and have been properly authorised and accounted for by the public sector entity.
- Testing whether write-offs and other adjustments of tax and levy receivable balances or loan balances have been appropriately authorised.

Specific Responses—Misstatement Resulting from Fraudulent Financial Reporting

Examples of responses to the auditor's assessment of the risks of material misstatement due to fraudulent financial reporting are as follows:

Revenue Recognition

- Performing substantive analytical procedures relating to revenue using disaggregated data, for example, comparing revenue reported by month and by product line or business segment during the current reporting period with comparable prior periods. Automated tools and techniques may be useful in identifying unusual or unexpected revenue relationships or transactions.
- Confirming with customers certain relevant contract terms and the absence of side agreements, because the appropriate accounting often is influenced by such terms or agreements and basis for rebates or the period to which they relate are often poorly documented. For example, acceptance criteria, delivery and payment terms, the absence of future or continuing supplier obligations, the right to return the product, guaranteed resale amounts, and cancellation or refund provisions often are relevant in such circumstances.
- Enquiring of the entity's sales and marketing personnel or in-house legal counsel regarding sales or shipments near the end of the period and their knowledge of any unusual terms or conditions associated with these transactions.
- Being physically present at one or more locations at period end to observe goods being shipped or being readied for shipment (or returns awaiting processing) and performing other appropriate sales and inventory cut-off procedures.
- For those situations for which revenue transactions are electronically initiated, processed, and recorded, testing controls to determine whether they provide assurance that recorded revenue transactions occurred and are properly recorded.

-
- Examining customer correspondence files at the entity for any unusual terms or conditions that raise questions about the appropriateness of revenue recognised.
 - Analysing the reasons provided for product returns received shortly after the end of the financial year (e.g., product not ordered, entity shipped more units than ordered).
 - Determining whether revenue transactions are recorded in accordance with the applicable financial reporting framework and the entity's accounting policies. For example, goods shipped are not recorded as sales unless there is a transfer of legal title in accordance with the shipping terms especially in circumstances when the entity uses a freight forwarder or a third-party warehouse or fulfillment centre.

Inventory Quantities

- Examining the entity's inventory records to identify locations or items that require specific attention during or after the physical inventory count.
- Observing inventory counts at certain locations on an unannounced basis or conducting inventory counts at all locations on the same date.
- Conducting inventory counts at or near the end of the reporting period to minimise the risk of inappropriate manipulation during the period between the count and the end of the reporting period.
- Performing additional procedures during the observation of the count, for example, more rigorously examining the contents of boxed items, the manner in which the goods are stacked (e.g., hollow squares) or labelled, and the quality (that is, purity, grade, or concentration) of liquid substances such as perfumes or specialty chemicals. Using the work of an expert may be helpful in this regard.
- Comparing the quantities for the current period with prior periods by class or category of inventory, location or other criteria, or comparison of quantities counted with perpetual records.
- Using automated tools and techniques to further test the compilation of the physical inventory counts – for example, sorting by tag number to test tag controls or by item serial number to test the possibility of item omission or duplication.
- Verifying the accurate calibration of tools that are used to record, measure, or weigh the quantity of inventory items – for example, scales, measuring devices or scanning devices.
- Using an expert to confirm the nature of inventory quantities for specialised products – for example, the weight of the precious gemstones may be determinable, but an expert may assist with determining the cut, color, and clarity of precious gemstones.

Management Estimates

- Using an expert to develop an independent estimate for comparison with management's estimate.
- Extending enquiries to individuals outside of management and the accounting department to corroborate management's ability and intent to carry out plans that are relevant to developing the estimate.

Specific Responses—Misstatements Due to Misappropriation of Assets

Differing circumstances would necessarily dictate different responses. Ordinarily, the audit response to an assessed risk of material misstatement due to fraud relating to misappropriation of assets will be directed toward certain account balances and classes of transactions. Although some of the audit

responses noted in the two categories above may apply in such circumstances, the scope of the work is to be linked to the specific information about the misappropriation risk that has been identified.

Examples of responses to the auditor's assessment of the risk of material misstatements due to misappropriation of assets are as follows:

- Counting cash or securities at or near year-end.
- Confirming directly with customers the account activity (including credit memo and sales return activity as well as dates payments were made) for the period under audit.
- Analysing recoveries of written-off accounts.
- Analysing inventory shortages by location or product type.
- Comparing key inventory ratios to industry norm.
- Reviewing supporting documentation for reductions to the perpetual inventory records.
- Performing a computerised match of the supplier list with a list of employees to identify matches of addresses or phone numbers.
- Performing a computerised search of payroll records to identify duplicate addresses, employee identification or taxing authority numbers or bank accounts.
- Reviewing personnel files for those that contain little or no evidence of activity, for example, lack of performance evaluations.
- Analysing sales discounts and returns for unusual patterns or trends.
- Confirming specific terms of contracts with third parties.
- Obtaining evidence that contracts are being carried out in accordance with their terms.
- Reviewing the propriety of large and unusual expenses.
- Reviewing the authorisation and carrying value of senior management and related party loans.
- Reviewing the level and propriety of expense reports submitted by senior management.

Appendix 3

(Ref: Para. [A28A29](#))

Examples of Circumstances that May Be Indicative of Fraud or Suspected Fraud

The following are examples of circumstances that may indicate that the financial report may contain a material misstatement due to fraud.

Discrepancies in the accounting records, including:

- Transactions that are not recorded in a complete or timely manner or are improperly recorded as to amount, accounting period, classification, or entity policy.
- Unsupported or unauthorised balances or transactions.
- Last-minute adjustments that significantly affect financial results (e.g., inventory adjustments).

Conflicting or missing evidence, including:

- Missing documents.
- Missing approvals or authorisation signatures.
- Signature or handwriting discrepancies and invalid electronic signatures.
- Documents that appear to have been altered.
- Unavailability of other than photocopied or electronically transmitted documents when documents in original form are expected to exist.
- Significant unexplained items on reconciliations.
- Unusual balance sheet changes, or changes in trends or important financial report ratios or relationships – for example, receivables growing faster than revenues.
- Inconsistent, vague, or implausible responses from management or employees arising from enquiries or analytical procedures.
- Unusual discrepancies between the entity's records and confirmation replies.
- Large numbers of credit entries and other adjustments made to accounts receivable records.
- Subsidiary ledgers, which do not reconcile with control accounts.
- Unexplained or inadequately explained differences between the accounts receivable sub-ledger and the control account, or between the customer statements and the accounts receivable sub-ledger.
- Unexplained fluctuations in stock account balances, inventory variances and turnover rates.
- Missing inventory or physical assets of significant magnitude.
- Unavailable or missing electronic evidence, inconsistent with the entity's record retention practices or policies.
- Fewer responses to confirmations than anticipated or a greater number of responses than anticipated.

- Inability to produce evidence of key systems development and program change testing and implementation activities for current-year system changes and deployments.
- Information about overly optimistic projections obtained from listening to the entity's earnings calls with analysts or by reading analysts' research reports that is contrary to information presented in the entity's internal forecasts used for budgeting purposes.

Problematic or unusual relationships between the auditor and management, including:

- Denial of access to records, facilities, certain employees, customers, suppliers, or others from whom audit evidence might be sought.
- Denial of access to key IT operations staff and facilities, including security, operations, and systems development personnel.
- Undue time pressures imposed by management to resolve complex or contentious issues.
- Complaints by management about the conduct of the audit or management intimidation of engagement team members, particularly in connection with the auditor's critical assessment of audit evidence or in the resolution of potential disagreements with management.
- Unusual delays by the entity in providing requested information.
- An unwillingness to facilitate auditor access to key electronic files for testing through the use of automated tools and techniques.
- An unwillingness to allow a discussion between the auditor and management's third-party expert (e.g., an expert in taxation law).
- An unwillingness by management to permit the auditor to meet privately with those charged with governance.
- An unwillingness to correct a material misstatement in the financial report, or in other information included in the entity's annual report.
- An unwillingness to add or revise disclosures in the financial report to make them more complete and understandable.
- An unwillingness to address identified deficiencies in internal control on a timely basis.
- An unwillingness to allow the auditor to send a confirmation request.
- An unwillingness to provide a requested written representation.

Other

- Extensive use of suspense accounts.
- Accounting policies that appear to be at variance with industry norms.
- Frequent changes in accounting estimates that do not appear to result from changed circumstances.
- Tolerance of violations of the entity's code of conduct.
- Discrepancy between earnings and lifestyle.
- Unusual, irrational, or inconsistent behaviour.

Auditing Standard ASA 240

The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

- Allegations of fraud through anonymous emails, letters, telephone calls, tips or complaints that may come to the attention of the auditor.
- Evidence of employees' access to systems and records inconsistent with that necessary to perform their authorised duties.
- Controls or audit logs being switched off

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Appendix 4

(Ref: Para. [A99A100](#), [A103-A104](#) and [A141A143](#))

Additional Considerations that May Inform the Auditor When Selecting Journal Entries and Other Adjustments for Testing

The following considerations are of relevance when selecting journal entries and other adjustments for testing:

- Understanding of the entity's information system and communication relevant to the preparation of the financial report⁹³ (see also paragraph 35 of this ASA) – obtaining this required understanding provides the auditor with knowledge about:
 - The entity's policies and procedures regarding (including the individuals within the entity responsible for) how transactions are initiated, recorded, processed, corrected as necessary, incorporated in the general ledger, and reported in the financial report.
 - The types of journal entries (whether standard or non-standard) incorporated in the general ledger and, in turn, reported in the financial report, including other adjustments made directly to the financial report.
 - The process of how journal entries and other adjustments are recorded or made (whether automated or manual) as well as the supporting documentation required, based on the entity's policies and procedures.
 - The entity's financial report closing process.
- Understanding of the entity's controls designed to prevent or detect fraud over journal entries⁹⁴ (see also paragraph 36 of this ASA) – for many entities, routine processing of transactions involves a combination of manual and automated controls. Similarly, the processing of journal entries and other adjustments may involve both manual and automated controls across one or multiple IT systems. Where IT is used in the financial reporting process, journal entries and other adjustments may exist only in electronic form.
 - The types of controls designed to prevent or detect fraud over journal entries may include authorisations and approvals, reconciliations, verifications (such as edit and validation checks or automated calculations), segregation of duties, and physical or logical controls.
 - The requirement in paragraph 36 covers controls over journal entries that address a risk(s) of material misstatement due to fraud at the assertion level, and that could be susceptible to unauthorised or inappropriate intervention or manipulation. These controls include:
 - ◆ Controls over non-standard journal entries — where the journal entries are automated or manual and are used to record non-recurring, unusual transactions or adjustments.
 - ◆ Controls over standard journal entries — where the journal entries are automated or manual and are susceptible to unauthorised or inappropriate intervention or manipulation.
- The effectiveness of controls that have been implemented over journal entries and other adjustments— effective controls over the preparation and posting of journal entries and other

⁹³ See ASA 315, paragraph 25.

⁹⁴ See ASA 315, paragraph 26.

adjustments may reduce the extent of substantive testing necessary, provided that the auditor has tested the operating effectiveness of the controls.

- The identification and assessment of the risks of material misstatement due to fraud — the evaluation of information obtained from the risk assessment procedures and related activities, including the consideration of information obtained from other sources, could indicate the presence of fraud risk factors. Such fraud risk factors, particularly events or conditions that indicate incentives and pressures for management to override controls, opportunities for management override, and attitudes or rationalisations that enable management to justify override of controls, may assist the auditor to identify specific classes of journal entries and other adjustments for testing. These may include journal entries and other adjustments susceptible to unauthorised or inappropriate intervention or manipulation resulting from:
 - Pressures or incentives to meet or exceed performance measures used, internally and externally (e.g., auto-reversing journal entries made at year-end).
 - Pressures or incentives to minimise or avoid taxes (e.g., inappropriate journal entries to record premature or delayed revenue or expense recognition).
 - Pressures to comply with debt repayment or other debt covenant requirements (e.g., inappropriately offsetting assets and liabilities in the balance sheet by directly making adjustments to the financial report to achieve a debt covenant on the entity's debt-to-equity ratio, even when the conditions for a right of setoff are not met).
 - Opportunities, arising from the inappropriate segregation of duties, for any individual in the entity to conceal or perpetrate fraud in the normal course of that individual's duties (e.g., journal entries and other adjustments relating to transactions affecting assets, where the individual is responsible for (a) the custody of assets, or (b) the authorisation or approval of the related transactions affecting those assets, and (c) the recording or reporting of related transactions).
 - Opportunities arising from deficiencies in internal control (e.g., journal entries and other adjustments related to purchase payments to unauthorised suppliers or made by terminated or transferred employees).
 - Opportunities arising from privileged access granted to individuals involved in the financial report closing process (e.g., journal entries and other adjustments made by individuals with administrative or powerful users' access).
 - Opportunities arising from calculations based on end-user computing tools that support accounting estimates susceptible to misstatement due to management bias or fraud (e.g., journal entries and other adjustments based on calculations of impairment of goodwill and other intangible assets using spreadsheet software).
- The characteristics of fraudulent journal entries and other adjustments — inappropriate journal entries or other adjustments often have unique identifying characteristics. Such characteristics may include entries:
 - Made to unrelated, unusual, or seldom-used accounts.
 - Made by individuals who typically do not make journal entries.
 - Recorded at the end of the period or as post-closing entries that have little or no explanation or description.
 - Made either before or during the preparation of the financial report that do not have account numbers.
 - Containing round numbers or consistent ending numbers.

The auditor may use recent information, such as data on actual perpetrated frauds or reports regarding trends in occupational fraud, to inform the auditor as to characteristics of fraudulent journal entries.

- The nature and complexity of the accounts — inappropriate journal entries or adjustments may be applied to accounts that:
 - Contain transactions that are complex or unusual in nature.
 - Contain significant estimates and period-end adjustments.
 - Have been prone to misstatements in the past.
 - Have not been reconciled on a timely basis or contain unreconciled differences.
 - Contain intercompany transactions or transaction with related parties.
 - Are otherwise associated with an identified risk of material misstatement due to fraud.
- Journal entries and other adjustments processed outside the normal course of business – non-standard journal entries may not be subject to the same nature and extent of controls as those journal entries used on a recurring basis to record transactions such as monthly sales, purchases, and cash disbursements

Appendix 5

(Ref: Para. [A17A18](#))

Other ASAs Addressing Specific Topics that Reference Fraud or Suspected Fraud

This Appendix identifies other ASAs with specific requirements that refer to fraud or suspected fraud. The list does not include other ASAs with requirements that refer to fraud or error (e.g., ASA 210,⁹⁵ ASA 315, ASA 700). The list is not a substitute for considering the requirements and related application and other explanatory material in the ASAs.

- ASA 402, *Audit Considerations Relating to an Entity Using a Service Organisation*, paragraph 19
- ASA 505, *External Confirmations* – paragraphs 8(b) and 11
- ASA 540, *Auditing Accounting Estimates and Related Disclosures* – paragraph 32
- ASA 550, *Related Parties* – paragraphs ~~19~~, 22(e) and 23(a)(i)
- ASA 600, *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* – paragraphs 38(d), 44A, 45(h), 55, 57(d) and 59(g)(i)
- [ASA 700, *Forming and Opinion and Reporting on a Financial Report* – paragraph 40\(a\)](#)

⁹⁵ See ASA 210, *Agreeing the Terms of Audit Engagements*.

AUASB 2025-6

(~~July 2025~~ October 2025)

Auditing Standard AUASB 2025-6 ***Amendments to Australian Auditing*** ***Standards***

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

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

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PREFACE

Reasons for Issuing AUASB 2025-6

The AUASB issues Auditing Standard AUASB 2025-6 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This Auditing Standard makes amendments to the requirements and application and other explanatory material and appendices of the following Auditing Standards:

ASA 200	<i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i> (Issued 27 October 2009 and amended to 5 November 2021)
ASA 220	<i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> (Issued 10 March 2021 and amended to 27 April 2022)
ASA 230	<i>Audit Documentation</i> (Issued 27 October 2009 and amended to 27 April 2022)
ASA 250	<i>Considerations of Laws and Regulations in an Audit of a Financial Report</i> (Issued 30 May 2017 and amended to 27 April 2022)
ASA 260	<i>Communication With Those Charged With Governance</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 265	<i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i> (Issued 27 October 2009 and amended to 3 March 2020)
ASA 300	<i>Planning an Audit of a Financial Report</i> (Issued 27 October 2009 and amended to 10 March 2021)
ASA 315	<i>Identifying and Assessing the Risks of Material Misstatement</i> (Issued 1 February 2020 and amended to 27 April 2022)
ASA 330	<i>The Auditor's Responses to Assessed Risks</i> (Issued 27 October 2009 and amended to 5 November 2021)
ASA 450	<i>Evaluation of Misstatements Identified during the Audit</i> (Issued 27 October 2009 and amended to 30 May 2017)
ASA 500	<i>Audit Evidence</i> (Issued 27 October 2009 and amended to 10 March 2021)
ASA 505	<i>External Confirmations</i> (Issued 27 October 2009 and amended to 3 March 2020)
ASA 530	<i>Audit Sampling</i> (Issued 27 October 2009 and amended to 3 March 2020)
ASA 540	<i>Auditing Accounting Estimates and Related Disclosures</i> (Issued 5 December 2018 and amended to 5 November 2021)

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ASA 550	<i>Related Parties</i> (Issued 27 October 2009 and amended to 27 April 2022)
ASA 570	<i>Going Concern</i> (Issued 1 December 2015 and amended to 15 March 2023)
ASA 580	<i>Written Representations</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 600	<i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i> (Issued 13 May 2022 and amended to 16 December 2024)
ASA 610	<i>Using the Work of Internal Auditors</i> (Issued 11 November 2013 and amended to 27 April 2022)
ASA 700	<i>Forming an Opinion and Reporting on a Financial Report</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 701	<i>Communicating Key Audit Matters in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 27 April 2022)
ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 15 March 2023)
ASA 800	<i>Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i> (Issued 26 July 2016 and amended to 7 September 2021)

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard AUASB 2025-6 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

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Chair - AUASB

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Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

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AUDITING STANDARD AUASB 2025-6
Amendments to Australian Auditing Standards

Application

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

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 15 December 2026. ~~It is also required to be applied where ASA 240 (July 2025) is applied early.~~

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to Australian Auditing Standards. The amendments arise from consequential and conforming changes arising from the issuance of ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (Issued 27 October 2009 and amended to 5 November 2021)
 - (b) ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (Issued 10 March 2021 and amended to 27 April 2022)
 - (c) ASA 230 *Audit Documentation* (Issued 27 October 2009 and amended to 27 April 2022)
 - (d) ASA 250 *Considerations of Laws and Regulations in an Audit of a Financial Report* (Issued 30 May 2017 and amended to 27 April 2022)
 - (e) ASA 260 *Communication With Those Charged With Governance* (Issued 1 December 2015 and amended to 28 January 2025)
 - (f) ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* (Issued 27 October 2009 and amended to 3 March 2020)
 - (g) ASA 300 *Planning an Audit of a Financial Report* (Issued 27 October 2009 and amended to 10 March 2021)
 - (h) ASA 315 *Identifying and Assessing the Risks of Material Misstatement* (Issued 1 February 2020 and amended to 27 April 2022)

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- (i) ASA 330 *The Auditor's Responses to Assessed Risks* (Issued 27 October 2009 and amended to 5 November 2021)
- (j) ASA 450 *Evaluation of Misstatements Identified during the Audit* (Issued 27 October 2009 and amended to 30 May 2017)
- (k) ASA 500 *Audit Evidence* (Issued 27 October 2009 and amended to 10 March 2021)
- (l) ASA 505 *External Confirmations* (Issued 27 October 2009 and amended to 3 March 2020)
- (m) ASA 530 *Audit Sampling* (Issued 27 October 2009 and amended to 3 March 2020)
- (n) ASA 540 *Auditing Accounting Estimates and Related Disclosures* (Issued 5 December 2018 and amended to 5 November 2021)
- (o) ASA 550 *Related Parties* (Issued 27 October 2009 and amended to 27 April 2022)
- (p) ASA 570 *Going Concern* (Issued 1 December 2015 and amended to 15 March 2023)
- (q) ASA 580 *Written Representations* (Issued 27 October 2009 and amended to 15 March 2023)
- (r) ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* (Issued 13 May 2022 and amended to 16 December 2024)
- (s) ASA 610 *Using the Work of Internal Auditors* (Issued 11 November 2013 and amended to 27 April 2022)
- (t) ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 28 January 2025)
- (u) ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 27 April 2022)
- (v) ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 15 March 2023)
- (w) ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued 26 July 2016 and amended to 7 September 2021)

Definition

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

Amendments to Auditing Standards

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

Amendments to ASA 200

9. Existing footnote 2 in paragraph 9 is amended to read as follows:

See, for example, ASA 260 *Communication with Those Charged with Governance*; and ~~paragraph 43 of ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraphs 6364-6667.~~

10. Existing footnote 15 in paragraph A24 is amended to read as follows:

See ASA 240, paragraph ~~43~~22; ASA 500, paragraph 11; and ASA 505 *External Confirmations*, paragraphs 10-11 and 16.

Amendments to ASA 220

11. Existing paragraph A37 is amended to read as follows:

Possible actions that the engagement team may take to mitigate impediments to the exercise of professional scepticism at the engagement level may include:

- ...
- Modifying the nature, timing and extent of direction, supervision or review by involving more experienced engagement team members, more in-person oversight on a more frequent basis or more in-depth reviews of certain working papers for:
 - Complex or subjective areas of the audit;
 - Areas that pose risks to achieving quality on the audit engagement;
 - Areas where there may be a higher risk of material misstatement, including a risk of material misstatement due to fraud with a fraud risk; and
 - Identified or suspected non-compliance with laws or regulations.
- ...

Amendments to ASA 230

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

Specific Audit Documentation Requirements in Other Australian Auditing Standards

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

- ASA 210 *Agreeing the Terms of Audit Engagements* – paragraphs 10-12
- ...
- ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* – paragraphs ~~44~~47674768
- ...

Amendments to ASA 250

13. Existing paragraph A17 is amended to read as follows:

The auditor may become aware of information concerning an instance of non-compliance with laws and regulations other than as a result of performing the procedures in paragraphs 13–17 (e.g., when the auditor is alerted to non-compliance by a ~~whistle-blower~~ whistleblower).

Amendments to ASA 260

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

This appendix identifies paragraphs in ASQM 1 and other Australian Auditing Standards that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in Australian Auditing Standards.

- ...
- *ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* – paragraphs 21, ~~38(c)(i)~~ 25, 32(c), ~~5455(a)~~, ~~5859(c)(i)~~ and ~~40-4264-6566~~
- ...

Amendments to ASA 265

15. Existing paragraph A6 is amended to read as follows:

Examples of matters that the auditor may consider in determining whether a deficiency or combination of deficiencies in internal control constitutes a significant deficiency include:

- ...
- The importance of the controls to the financial reporting process; for example:
 - ...
 - Controls over the prevention and/or detection of fraud.
 - ...

16. Existing footnote 10 in paragraph A21 is amended to read as follows:

See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph ~~41644165~~.

Amendments to ASA 300

17. Existing footnote 11 in paragraph A5 is amended to read as follows:

ASA 315, paragraphs 17 and 18, establishes requirements and provides guidance on the engagement team's discussion of the susceptibility of the entity to material misstatements of the financial report. ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph ~~4629~~, provides guidance on the emphasis given during this discussion to the susceptibility of the entity's financial report to material misstatement due to fraud.

Amendments to ASA 315

18. Existing footnote 11 in paragraph 12(f) is amended to read as follows:

See ASA 240, paragraphs ~~A24-A27A23A27A24-A25A26~~.

19. Existing footnote 12 in paragraph 12(l) is amended to read as follows:

See ASA 240, paragraph ~~2839(b)~~ and ASA 550, Related Parties, paragraph 18.

20. Existing paragraph 35 is amended to read as follows:

The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement, ~~whether due to fraud or error~~. If not, the auditor shall perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall take into account all audit evidence obtained from the risk assessment procedures, whether corroborative or contradictory to assertions made by management. (Ref: Para. A230–A232)

21. Existing footnote 15 in paragraph A11 is amended to read as follows:

See ASA 240, paragraphs ~~17–28~~26–41.

22. Existing footnote 26 in paragraph A42 is amended to read as follows:

See ASA 240, paragraph ~~16~~29.

23. Existing paragraph A50 is amended to read as follows:

The auditor's understanding of the entity and its environment, and the applicable financial reporting framework, assists the auditor in understanding the events and conditions that are relevant to the entity, and in identifying how inherent risk factors affect the susceptibility of assertions to misstatement in the preparation of the financial report, in accordance with the applicable financial reporting framework, and the degree to which they do so. Such information establishes a frame of reference within which the auditor identifies and assesses risks of material misstatement. This frame of reference also assists the auditor in planning the audit and exercising professional judgement and professional scepticism throughout the audit, for example, when:

- Identifying and assessing risks of material misstatement of the financial report in accordance with ASA 315 or other relevant standards (e.g., relating to risks of material misstatement due to fraud in accordance with ASA 240 or when identifying or assessing risks related to accounting estimates in accordance with ASA 540);

- ...

24. Existing paragraph A74 is amended to read as follows:

An understanding of the entity's measures assists the auditor in considering whether such measures, whether used externally or internally, create pressures on the entity to achieve performance targets. These pressures may motivate management to take actions that increase the susceptibility to misstatement due to management bias or fraud (e.g., to improve the business performance or to intentionally misstate the financial report) (see ASA 240 for requirements and guidance in relation to the risks of material misstatement due to fraud).

25. Existing paragraph A89 is amended to read as follows:

Events or conditions that may affect susceptibility to misstatement due to management bias may also affect susceptibility to misstatement due to other fraud risk factors. Accordingly, this may be relevant information for use in accordance with paragraph ~~24~~38 of ASA 240, which requires the auditor to evaluate whether the ~~information~~audit evidence obtained from the ~~other~~ risk assessment procedures and related activities indicates that one or more fraud risk factors are present.

26. Existing footnote 36 in paragraph A109 is amended to read as follows:

See ASA 240, paragraph ~~19~~33(b)(i).

27. Existing footnote 39 in paragraph A157 is amended to read as follows:

See ASA 240, paragraph ~~A28A111~~A28A112.

28. Existing footnote 41 in paragraph A159 is amended to read as follows:

See ASA 240, paragraphs ~~2836, 39(b)~~ and ~~A33A101A33A102~~.

29. Existing paragraph A195 is amended to read as follows:

Risks of material misstatement at the financial report level refer to risks that relate pervasively to the financial report as a whole, and potentially affect many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the class of transactions, account balance or disclosure level (e.g., ~~risk of management override of controls~~). Rather, they represent circumstances that may pervasively increase the risks of material misstatement at the assertion level. The auditor's evaluation of whether risks identified relate pervasively to the financial report supports the auditor's assessment of the risks of material misstatement at the financial report level. In other cases, a number of assertions may also be identified as susceptible to the risk, and may therefore affect the auditor's risk identification and assessment of risks of material misstatement at the assertion level.

30. Existing footnote 58 in paragraph A220 is amended to read as follows:

See ASA 240, paragraphs ~~26–2839–41~~.

31. Existing footnote 71 in Appendix 2 is amended to read as follows:

See ASA 240, paragraphs ~~A24–A27A23A27A24–A25A26~~.

32. Existing paragraph 2 of Appendix 2 is amended to read as follows:

Inherent risk factors relating to the preparation of information required by the applicable financial reporting framework (referred to in this paragraph as “required information”) include:

- ...
- *Susceptibility* to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk —susceptibility to management bias results from conditions that create susceptibility to intentional or unintentional failure by management to maintain neutrality in preparing the information. Management bias is often associated with certain conditions that have the potential to give rise to management not maintaining neutrality in exercising judgement (indicators of potential management bias), which could lead to a material misstatement of the information that would be fraudulent if intentional. Such indicators include incentives or pressures insofar as they affect inherent risk (for example, as a result of motivation to achieve a desired result, such as a desired profit target or capital ratio), and opportunity, not to maintain neutrality. Factors relevant to the susceptibility to misstatement due to fraud in the form of fraudulent financial reporting or misappropriation of assets are described in paragraphs ~~A4A2~~ to ~~A5A6~~ of ASA 240.

...

33. Existing paragraph 6(b) of Appendix 3 is amended to read as follows:

When those charged with governance are separate from management, how those charged with governance demonstrate independence from management and exercise oversight of the entity's system of internal control. An entity's control consciousness is influenced by those charged with governance. Considerations may include whether there are sufficient individuals who are independent from management and objective in their evaluations and decision-making; how those charged with governance identify and accept oversight responsibilities and whether those charged with governance retain oversight responsibility for management's design, implementation and conduct of the entity's system of internal control. The importance of the responsibilities of those charged with governance is recognised in codes of practice and other laws and regulations or guidance produced for the benefit of those charged with governance. Other responsibilities of those charged with governance include oversight of the

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design and effective operation of ~~whistle-blower procedures~~ the entity's whistleblower program (or other program to report fraud).

34. Existing paragraph 5 of Appendix 4 is amended to read as follows:

In addition, in accordance with ASA 240, if the internal audit function provides information to the auditor regarding any ~~actual, fraud or suspected or alleged fraud, including allegations of fraud,~~ the auditor takes this into account in the auditor's identification of risk of material misstatement due to fraud.

35. Existing footnote 74 in Appendix 4 is amended to read as follows:

See ASA 240, paragraph ~~49~~34(b).

Amendments to ASA 330

36. Existing paragraph A11 is amended to read as follows:

The auditor may perform tests of controls or substantive procedures at an interim date or at the period end. The higher the risk of material misstatement, the more likely it is that the auditor may decide it is more effective to perform substantive procedures nearer to, or at, the period end rather than at an earlier date, or to perform audit procedures unannounced or at unpredictable times (for example, performing audit procedures at selected locations on an unannounced basis). This is particularly relevant when considering the response to the risks of material misstatement due to fraud. For example, the auditor may conclude that, when the risks of intentional misstatement or manipulation have been identified, audit procedures to extend audit conclusions from interim date to the period end would not be effective.

37. Existing paragraph A62 is amended to read as follows:

An audit of a financial report is a cumulative and iterative process. As the auditor performs planned audit procedures, the audit evidence obtained may cause the auditor to modify the nature, timing or extent of other planned audit procedures. Information may come to the auditor's attention that differs significantly from the information on which the risk assessment was based. For example:

- ...

In such circumstances, the auditor may need to re-evaluate the planned audit procedures, based on the revised consideration of assessed risks of material misstatement, whether due to fraud or error, and the effect on the significant classes of transactions, account balances, or disclosures and their relevant assertions. ASA 315 contains further guidance on revising the auditor's risk assessment.

Amendments to ASA 450

38. The following paragraph is inserted above existing paragraph 6 of this Auditing Standard:

If the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud. (Ref: Para. ~~A6~~A7)

39. Existing footnote 8 in paragraph A1 is amended to read as follows:

See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraphs ~~A1-A6~~A3A6A2-A6.

40. The following paragraph and footnote are inserted following existing paragraph A6 of this Auditing Standard:

Consideration of Identified Misstatements as the Audit Progresses (Ref: Para. ~~6-7~~8)

The nature of identified misstatements and the circumstances of their occurrence may indicate that the misstatements may be a result of fraud. In such cases, the auditor also performs the procedures required by ASA 240,¹⁰ recognising that an instance of fraud is unlikely to be an isolated occurrence.

41. Existing footnote 16 in paragraph A22 is amended to read as follows:

See ASA 240, paragraph ~~35563557~~.

Amendments to ASA 500

42. Existing footnote 17 in paragraph A37 is amended to read as follows:

See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph ~~1322~~.

Amendments to ASA 505

43. Existing paragraph 3 is amended to read as follows:

Other Auditing Standards recognise the importance of external confirmations as audit evidence, for example:

- ...
- ASA 240 indicates that the auditor may design external confirmation procedures requests to obtain audit evidence ~~additional corroborative information~~ as a response to address the assessed risks of material misstatement due to fraud at the assertion level.
- ...

44. Existing footnote 10 in paragraph 3 is amended to read as follows:

See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraphs ~~A128A129 A132 A135 A37~~.

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

If management refuses to allow the auditor to send a confirmation request, the auditor shall:

- (a) ...
- (b) Evaluate the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement, including the risks of material misstatement due to fraud, and on the nature, timing and extent of other audit procedures; and (Ref: Para. A9)
- (c) ...

46. Existing paragraph 11 is amended to read as follows:

If the auditor determines that a response to a confirmation request is not reliable, the auditor shall evaluate the implications on the assessment of the relevant risks of material misstatement, including ~~the risks of~~ material misstatement due to fraud, and on the related nature, timing and extent of other audit procedures. (Ref: Para. A17)

47. Existing paragraph A4 is amended to read as follows:

¹⁰ See ASA 240, paragraphs ~~5455-5758~~.

Factors to consider when designing confirmation requests include:

- The assertions being addressed.
- Specific identified risks of material misstatement, including risks of material misstatement due to fraud risks.
- ...

48. Existing footnote 15 in paragraph A9 is amended to read as follows:

See ASA 240, paragraph ~~24~~38.

49. Existing footnote 19 in paragraph A17 is amended to read as follows:

See ASA 240, paragraph ~~24~~38.

50. Existing footnote 21 in paragraph A19 is amended to read as follows:

See ASA 240, paragraph ~~24~~38.

51. Existing paragraph A21 is amended to read as follows:

Exceptions noted in responses to confirmation requests may indicate misstatements or potential misstatements in the financial statements. When a misstatement is identified, the auditor is required by ~~ASA 450~~²²~~ASA 240~~ to evaluate whether such misstatement is indicative of fraud.²² Exceptions may provide a guide to the quality of responses from similar confirming parties or for similar accounts. Exceptions also may indicate a deficiency, or deficiencies, in the entity's internal control over financial reporting.

Amendments to ASA 530

52. Existing paragraph A6 is amended to read as follows:

The auditor's consideration of the purpose of the audit procedure, as required by paragraph 6, includes a clear understanding of what constitutes a deviation or misstatement so that all, and only, those conditions that are relevant to the purpose of the audit procedure are included in the evaluation of deviations or projection of misstatements. For example, in a test of details relating to the existence of accounts receivable, such as confirmation, payments made by the customer before the confirmation date but received shortly after that date by the client, are not considered a misstatement. Also, a misposting between customer accounts does not affect the total accounts receivable balance. Therefore, it may not be appropriate to consider this a misstatement in evaluating the sample results of this particular audit procedure, even though it may have an important effect on other areas of the audit, such as the assessment of the risks of material misstatement due to fraud or the adequacy of the allowance for doubtful accounts.

Amendments to ASA 540

53. Existing paragraph A57 is amended to read as follows:

A retrospective review of management judgements and assumptions related to ~~significant~~ accounting estimates is required by ASA 240. As a practical matter, the auditor's review of previous accounting estimates as a risk assessment procedure in accordance with this Auditing Standard may be carried out in conjunction with the review required by ASA 240.

54. Existing footnote 41 in paragraph A57 is amended to read as follows:

²² See ASA 450, *Evaluation of Misstatements Identified during the Audit*, paragraph 6.
²² See ASA 240, paragraph 35.

See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph 33(b)(ii) ~~28~~.

55. Existing paragraph A136 is amended to read as follows:

In addition, in applying ASA 240, the auditor is required to evaluate whether management's judgements and decisions in making the accounting estimates included in the financial report, even if they are individually reasonable, are indicators of possible management bias that may represent a material misstatement due to fraud.⁶² Fraudulent financial reporting is often accomplished through intentional misstatement of accounting estimates, which may include intentionally understating or overstating accounting estimates. Indicators of possible management bias that may also be a fraud risk factor,⁶² may cause the auditor to reassess whether the auditor's risk assessments, in particular the assessment of risks of material misstatement due to fraud risks, and related responses remain appropriate.

Amendments to ASA 550

56. Existing footnote 4 in paragraph 5 is amended to read as follows:

See ASA 240, paragraph 24 ~~38~~.

57. Existing footnote 7 in paragraph 11 is amended to read as follows:

See ASA 315, paragraph 13; and ASA 240, paragraph 17 ~~26~~.

58. Existing footnote 8 in paragraph 12 is amended to read as follows:

See ASA 315, paragraph 17; and ASA 240, paragraph 16 ~~29~~.

59. Existing footnote 11 in paragraph 23 is amended to read as follows:

See ASA 240, paragraph 33(c) ~~52~~.

60. Existing paragraph A17 is amended to read as follows:

In meeting the ASA 315 requirement to obtain an understanding of the control environment, the auditor may consider features of the control environment relevant to mitigating the risks of material misstatement associated with related party relationships and transactions, such as:

- ...
- The existence of ~~whistle-blowing policies and procedures~~ a whistleblower program (or other program to report fraud), where applicable.

61. Existing footnote 23 in paragraph A19 is amended to read as follows:

See ASA 240, paragraphs 31 ~~40~~ and A4 ~~A5~~.

62. Existing paragraph A33 is amended to read as follows:

If the auditor has assessed a significant risk of material misstatement due to fraud as a result of the presence of a related party with dominant influence, the auditor may, in addition to the general requirements of ASA 240, perform audit procedures such as the following to obtain an understanding of the business relationships that such a related party may have established directly or indirectly with the entity and to determine the need for further appropriate substantive audit procedures:

- ...

⁶² See ASA 240, paragraph 33(b).

⁶² See ASA 240, paragraphs 50–51.

- Review of employee ~~whistle-blowing~~whistleblower reports where these are retained.

Amendments to ASA 570

63. Existing footnote 18 in paragraph A8 is amended to read as follows:

See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph ~~24~~27.

64. Existing footnote 24 in paragraph A31 is amended to read as follows:

See ASA 240, paragraphs ~~26–28~~39–41.

65. Existing footnote 36 in paragraph A71 is amended to read as follows:

See ASA 240, paragraph ~~25~~38.

Amendments to ASA 580

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

List of Australian Auditing Standards Containing Requirements for Written Representations

ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of the Financial Report*
– paragraph ~~40~~62~~40~~63

...

67. Existing Appendix 2 is amended to read as follows:

Illustrative Representation Letter

...

Information Provided

- We have provided you with:
- ...
- We have disclosed to you all information in relation to any fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - ...
 - Others where the fraud could have a ~~material~~material effect on the financial report. (ASA 240)
- We have disclosed to you all information in relation to ~~allegations of fraud, or~~ suspected fraud, including allegations of fraud, affecting the entity's financial report communicated by employees, former employees, analysts, regulators or others. (ASA 240)
- ...

Amendments to ASA 600

68. The following paragraph and footnote are inserted after existing paragraph 44 of this Auditing Standard:

In applying ASA 240,²⁸ the group auditor shall take responsibility for obtaining an understanding of identified fraud or suspected fraud.

69. Existing paragraph 45 is amended to read as follows:

The group auditor shall request the component auditor to communicate matters relevant to the group auditor's conclusion with regard to the group audit. Such communication shall include: (Ref: Para. A144)

- (a) ...
- (h) Fraud or suspected fraud involving:
 - (i) ~~Component management;~~
 - (ii) ~~Employees who have significant roles in the group's system of internal control at the component;~~ or
 - (iii) ~~Others, except for matters that are clearly inconsequential where the fraud resulted in a material misstatement of~~ the component financial information;
- (i) ...

70. Existing paragraph 55 is amended to read as follows:

If fraud or suspected fraud has been identified by the group auditor or brought to its attention by a component auditor (see paragraph 45(h)), or information indicates that a fraud or suspected fraud may exist, the group auditor shall communicate this on a timely basis to the appropriate level of group management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (Ref: Para. A160)

71. Existing paragraph 57 is amended to read as follows:

The group auditor shall communicate the following matters with those charged with governance of the group, in addition to those required by ASA 260[30] and other ASAs: (Ref: Para. A163)

- (a) ...
- (d) Fraud or suspected fraud involving:
 - (i) ~~Group management or~~ component management;
 - (ii) ~~Employees who have significant roles in the group's system of internal control;~~ or
 - (iii) ~~Others, except for matters that are clearly inconsequential when the fraud resulted in a material misstatement of the group financial report.~~

72. Existing paragraph 59 is amended to read as follows:

In accordance with ASA 230, the audit documentation for a group audit engagement needs to be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of audit procedures performed, the evidence obtained, and the conclusions reached with respect to significant matters arising during the group audit. In applying ASA 230, the group auditor shall include in the audit documentation: (Ref: Para. A166–A169, A179–A182)

²⁸ See ASA 240, paragraph ~~54~~55.

- (a) ...
- (g) Matters related to communications with component auditors, including:
- (i) Matters, if any, related to fraud or suspected fraud, related parties or going concern communicated in accordance with paragraph 32.
- (ii) ...
73. Existing paragraph A92 is amended to read as follows:
- The discussion provides an opportunity to:
- ...
 - Discuss fraud or suspected fraud that has been identified, or information that indicates existence of a fraud.
 - ...
74. Existing footnote 72 in paragraph A92 is amended to read as follows:
- See ASA 240, paragraph ~~46~~29.
75. Existing paragraph A113 is amended to read as follows:
- In applying ASA 240, the auditor is required to identify and assess the risks of material misstatement of the financial report due to fraud, and to design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level. Information used to identify the risks of material misstatement of the group financial report due to fraud may include the following:
- ...
 - Group management's process for identifying and responding to the fraud risks of fraud in the group financial report, including any specific fraud risks identified by group management, or classes of transactions, account balances, or disclosures for which a fraud risk of fraud is higher.
 - ...
 - How those charged with governance of the group monitor group management's processes for identifying and responding to the fraud risks of fraud in the group, and the controls group management has established to mitigate these risks.
 - Responses of those charged with governance of the group, group management, appropriate individuals within the internal audit function (and when appropriate, component management, the component auditors, and others) to the group auditor's enquiry about whether they have knowledge of any fraud or actual, suspected fraud, including allegations of, or alleged fraud, affecting a component or the group.
76. Existing footnote 79 in paragraph A113 is amended to read as follows:
- See ASA 240, paragraphs ~~26~~39, ~~31~~46.
77. Existing footnote 85 in paragraph A136 is amended to read as follows:
- See ASA 240, paragraph ~~30(c)~~43.
78. Existing paragraph A144 is amended to read as follows:
- Although the matters required to be communicated in accordance with paragraph 45 are relevant to the group auditor's conclusion with regard to the group audit, certain matters may

be communicated during the course of the component auditor's procedures. In addition to the matters in paragraphs 32 and 50, such matters may include, for example:

- ...
- Newly arising significant risks of material misstatement, including risks of material misstatement due to fraud;
- Fraud identified or suspected fraud or illegal acts involving component management or employees that could have a material effect on the group financial report; or
- ...

79. Existing paragraph A160 is amended to read as follows:

ASA 240 contains requirements and guidance on the communication of fraud or suspected fraud to management and, ~~when management may be involved in the fraud,~~ to those charged with governance.

80. Existing footnote 91 in paragraph A160 is amended to read as follows:

See ASA 240, paragraphs ~~41–43~~ 363–364–6566.

81. Existing Appendix 2 is amended to read as follows:

Understanding the Group's System of Internal Control

...

The Group's Risk Assessment Process

The group auditor's understanding of the group's risk assessment process may include matters such as group management's risk assessment process, that is, the process for identifying, analysing and managing business risks, including the fraud risk of fraud, that may result in material misstatement of the group financial report. It may also include an understanding of how sophisticated the group's risk assessment process is and the involvement of entities and business units in this process.

82. Existing paragraphs in Appendix 2 will be renumbered starting from number 1.

Amendments to ASA 610

83. Existing paragraph A26 is amended to read as follows:

ASA 200 discusses the importance of the auditor planning and performing the audit with professional scepticism, including being alert to information that brings into question the reliability of documents and responses to enquiries to be used as audit evidence. Accordingly, communication with the internal audit function throughout the engagement may provide opportunities for internal auditors to bring matters that may affect the work of the external auditor to the external auditor's attention. The external auditor is then able to take such information into account in the external auditor's identification and assessment of risks of material misstatement. In addition, if such information may be indicative of a heightened risk of a material misstatement of the financial report or may be regarding any actual, fraud or suspected or alleged fraud, including allegations of fraud, the external auditor can take this into account in the external auditor's identification of risk of material misstatement due to fraud in accordance with ASA 240.

Amendments to ASA 700

84. Existing paragraph 40 is amended to read as follows:

The Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report also shall: (Ref: Para. A50)

- (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 that the auditor identifies during the audit, including any:
- (i) ~~Significant deficiencies in internal control that the auditor identifies during the audit;~~
 - (ii) Identified fraud or suspected fraud;¹⁹ and
 - (iii) Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance;²⁰
- (b) ...

Amendments to ASA 700 Appendix 1: [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3 and Illustration 4

85. [Aus] Illustration 1A: An auditor's report on a financial report of a single listed company prepared in accordance with the *Corporations Act 2001* (a fair presentation framework), is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

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

- ~~Significant deficiencies in internal control that we identify during our audit;~~
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in our judgement, relevant to the responsibilities of the directors.

...

86. [Aus] Illustration 2A: An auditor's report on a financial report of a listed company and its subsidiaries (Group) prepared in accordance with the *Corporations Act 2001* (a fair presentation framework), is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

¹⁹ See ASA 240, paragraph 6465.

²⁰ See ASA 240, paragraph 6566.

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

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

- ~~Significant deficiencies in internal control that we identify during our audit;~~
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in our judgement, relevant to the responsibilities of the directors.

...

87. Illustration 3: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with a fair presentation framework, is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit, including any:

- ~~Significant deficiencies in internal control that we identify during our audit;~~
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in our judgement, relevant to the responsibilities of those charged with governance.

...

88. Illustration 4: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with a general purpose compliance framework, is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

We communicate with those charged with governance, among other matters, the planned scope and timing of the audit and significant audit findings that we identify during our audit, including any:

- ~~s~~Significant deficiencies in internal control that we identify during our audit;
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in our judgement, relevant to the responsibilities of those charged with governance.

...

Amendments to ASA 701

89. The following paragraph and footnote are inserted after existing paragraph A8 of this Auditing Standard:

ASA 240¹⁵ includes requirements for determining and communicating key audit matters related to fraud. The requirements and guidance in ASA 240 refer to, or expand on, the application of this ASA.

90. The following paragraph and footnote are inserted after existing paragraph A18 of this Auditing Standard:

ASA 240²³ notes that matters related to fraud are often matters that require significant auditor attention and that, given the interest of users of the financial reports, one or more of the matters related to fraud that required significant auditor attention in performing the audit, determined in accordance with paragraph 59-60 of ASA 240, would ordinarily be of most significance in the audit of the financial reports of the current period and therefore are key audit matters.

91. Existing paragraph A21 is amended to read as follows:

~~However, this may not be the case for all significant risks. For example, ASA 240 presumes that there are risks of fraud in revenue recognition and requires the auditor to treat those assessed risks of material misstatement due to fraud as significant risks. In addition, ASA 240 indicates that, due to the unpredictable way in which management override of controls could occur, it is a risk of material misstatement due to fraud and thus a significant risk. The auditor may determine these matters to be key audit matters related to fraud because risks of material misstatement due to fraud are often matters that both require significant auditor attention and are of most significance in the audit. However, this may not be the case for all these matters. The auditor may determine certain risks of material misstatement due to fraud did not require significant auditor attention. Depending on their nature, these risks may not require significant auditor attention, and therefore, these risks would not be considered in the auditor's determination of key audit matters in accordance with paragraph 10.~~

92. Existing footnote 25 is amended to read as follows:

~~See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraphs 26–2739(b) and 41.~~

93. Existing footnote 26 is amended to read as follows:

¹⁵ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraphs 5960–6162.

²³ See ASA 240, paragraphs A177-A179 and A183A185.

See ASA 240, paragraphs ~~34~~39(b) and 40.

94. A new footnote is inserted in paragraph A55 as follows:

It may also be necessary for the auditor to consider the implications of communicating about a matter determined to be a key audit matter in light of relevant ethical requirements.³⁴ In addition, the auditor may be required by law or regulation to communicate with applicable regulatory, enforcement or supervisory authorities in relation to the matter, regardless of whether the matter is communicated in the auditor's report. Such communication may also be useful to inform the auditor's consideration of the adverse consequences that may arise from communicating about the matter.

Amendments to ASA 705

95. Existing paragraph A9 is amended to read as follows:

An inability to perform a specific procedure does not constitute a limitation on the scope of the audit if the auditor is able to obtain sufficient appropriate audit evidence by performing alternative procedures. If this is not possible, the requirements of paragraphs 7(b) and 9–10 apply as appropriate. Limitations imposed by management may have other implications for the audit, such as for the auditor's assessment of risks of material misstatement due to fraud risks and consideration of engagement continuance.

Amendments to ASA 800

Amendments to ASA 800 Appendix 1: Illustration 1, Illustration 2 and [Aus] Illustration 5

96. Illustration 1: An auditor's report on a financial report 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), is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

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

- Significant deficiencies in internal control that we identify during our audit;
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.

...

³⁴ For example, except for certain specified circumstances, paragraph R114.2 of the APESB Code does not permit the use or disclosure of information in respect of which the duty of confidentiality applies. As one of the exceptions, paragraph AUST R114.3 of the APESB Code permits the professional accountant to disclose or use confidential information where there is a legal or professional duty or right to do so. Paragraph 114.3 A1(b)(iv) of the APESB Code explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

97. Illustration 2: An auditor's report on a financial report 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), is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

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

- ~~s~~Significant deficiencies in internal control ~~that we identify during our audit~~;
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.

...

98. [Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework), is amended to read as follows:

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

- ...

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

- ~~s~~Significant deficiencies in internal control ~~that we identify during our audit~~;
- Identified fraud or suspected fraud; and
- Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.

...

Commencement of the legislative instrument

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

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

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

Draft

ASA 240
(October 2025)

Explanatory Statement

ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report and AUASB 2025-6 Amendments to Australian Auditing Standards

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

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

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Draft

Reasons for Issuing Auditing Standard ASA 240

The AUASB issues Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 Amendments to Australian Auditing Standards (ASA 240) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Auditing Standards ASA 240 and AUASB 2025-6 conform with ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB) and the IAASB's 'Conforming and Consequential Amendments Arising from ISA 240 (Revised 2025)'.

Purpose of Auditing Standard ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*

The purpose of ASA 240 is to deal with the auditor's responsibilities relating to fraud in an audit of a financial report and the implications for the auditor's report. ASA 240 replaces the current ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* issued by the AUASB in October 2009 (as amended to 27 April 2022). AUASB 2025-6 Amendments to Australian Auditing Standards includes the conforming and consequential amendments to other Auditing Standards as a result of changes made in the revised ASA 240.

Main Features

ASA 240 contains minor changes from the ISA 240 (Revised 2025), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Operative Date

ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* is operative for financial reporting periods beginning on or after 15 December 2026.

Process of making Australian Auditing Standards

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

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

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing ASA 240, by exposing the IAASB's exposure draft of the proposed revised ISA 240 in Australia, along with an associated Australian Explanatory Memorandum. The exposure period was 90 days.

Explanatory Statement - ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards*

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the revised ASA 240.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards* and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to these standards.

Exemption from Sunsetting

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

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

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

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

Legislative Instrument: **Auditing Standards ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards***

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

Overview of the Legislative Instrument

Background

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

Purpose of Auditing Standard ASA 240

The purpose of ASA 240 is to deal with the auditor's responsibilities relating to fraud in an audit of a financial report and the implications for the auditor's report. ASA 240 replaces the current ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* issued by the AUASB in October 2009 (as amended to 27 April 2022). AUASB 2025-6 *Amendments to Australian Auditing Standards* includes the conforming and consequential amendments to other Auditing Standards as a result of changes made in the revised ASA 240.

Main Features

Auditing Standards ASA 240 and AUASB 2025-6 conform with ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* (ISA 240 (Revised 2025)) issued by the International Auditing and Assurance Standards Board (IAASB) and the IAASB's 'Conforming and Consequential Amendments Arising from ISA 240 (Revised 2025)'.

ASA 240 contains minor changes from ISA 240 (Revised 2025), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Human Rights Implications

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

Conclusion

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

Draft Conforming Amendments to non-legislative AUASB Standards due to ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*

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

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

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
ASA 805 <i>Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>		
Appendix 2 Illustration 1	INDEPENDENT AUDITOR'S REPORT ... Auditor's Responsibilities for the Audit of the Financial Statements ... We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings <u>that we identify during our audit</u>, including any ~~that we identify during our audit~~; • ~~§Significant deficiencies in internal control that we identify during our audit;~~ • <u>Identified fraud or suspected fraud;</u> and • <u>Other matters related to fraud that are, in the auditor's judgment, relevant to the responsibilities of those charged with governance.</u> ...	INDEPENDENT AUDITOR'S REPORT ... Auditor's Responsibilities for the Audit of the Financial Report ... We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings <u>that we identify during our audit</u>, including any: • ~~§Significant deficiencies in internal control that we identify during our audit;~~ • <u>Identified fraud or suspected fraud; and</u> • <u>Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.</u> ...
Appendix 2 Illustration 2	INDEPENDENT AUDITOR'S REPORT ... Auditor's Responsibilities for the Audit of the Financial Statements ... We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings <u>that we identify during our audit</u>, including any ~~that we identify during our audit~~; • ~~§Significant deficiencies in internal control that we identify during our audit;~~ • <u>Identified fraud or suspected fraud;</u> and • <u>Other matters related to fraud that are, in the auditor's judgment, relevant to</u>	INDEPENDENT AUDITOR'S REPORT ... Auditor's Responsibilities for the Audit of the Financial Report ... We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings <u>that we identify during our audit</u>, including any: • ~~§Significant deficiencies in internal control that we identify during our audit;~~ • <u>Identified fraud or suspected fraud; and</u> • <u>Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.</u>

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<u>the responsibilities of those charged with governance.</u> ...	...
Appendix 2 [Aus] Illustration 3A	INDEPENDENT AUDITOR'S REPORT ... Auditor's Responsibilities for the Audit of the Financial Statements ... We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings <u>that we identify during our audit</u>, including any ~~that we identify during our audit~~: • ~~s~~Significant deficiencies in internal control ~~that we identify during our audit~~; • <u>Identified fraud or suspected fraud; and</u> • <u>Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.</u> ...	INDEPENDENT AUDITOR'S REPORT ... Auditor's Responsibilities for the Audit of the Schedule ... We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings <u>that we identify during our audit</u>, including any: • ~~s~~Significant deficiencies in internal control ~~that we identify during our audit~~; • <u>Identified fraud or suspected fraud; and</u> • <u>Other matters related to fraud that are, in the auditor's judgement, relevant to the responsibilities of those charged with governance.</u> ...
ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity		
Paragraph 48	The practitioner's inquiries of management and others within the entity, as appropriate, shall include the following: (Ref: Para. A82–A86) ... (d) The existence of any ~~actual, suspected or alleged~~ fraud or suspected fraud, including allegations of fraud, (i) ~~Fraud or illegal acts affecting the entity~~; and (ii) <u>identified or suspected</u> ~~N~~non-compliance with provisions of laws and regulations that are generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and pension laws and regulations; ...	The assurance practitioner's enquiries of management and others within the entity, as appropriate, shall include the following: (Ref: Para. A84–A88) ... (d) The existence of any ~~actual, suspected or alleged~~: (i) ~~F~~fraud or <u>suspected fraud, including allegations of fraud</u>~~illegal acts affecting the entity~~; and (ii) ~~identified or suspected~~ ~~N~~non-compliance with provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements, such as tax and superannuation laws and regulations; ...

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
Paragraph 62	The practitioner shall also request management's written representations that management has disclosed to the practitioner: (Ref: Para. A105) ... (b) ~~Significant facts relating to~~ <u>Its knowledge of any</u> frauds or suspected frauds known to management that may have affected the entity; ...	The assurance practitioner shall also request management's written representations that management has disclosed to the assurance practitioner: (Ref: Para. A107) ... (b) ~~Significant facts relating to~~ <u>Its knowledge of any</u> frauds or suspected frauds known to management that may have affected the entity; ...

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~~July~~October 2025

Basis for Conclusions

ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report and AUASB 2025-6 Amendments to Australian Auditing Standards

Prepared by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

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

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ISSN 2201-3628

Basis for Conclusions ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the standards by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASA 240 or AUASB 2025-6.

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

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BASIS FOR CONCLUSIONS

ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 Amendments to Australian Auditing Standards

Background

1. In accordance with its mandate under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), unless there is a compelling reason not to do so. In addition, the AUASB is required to make such amendments to the ISAs to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Further amendments are made where there are compelling reasons to do so and are made with a public interest focus.
2. The AUASB has issued ASA 240. ASA 240 is consistent with ISA 240 (Revised 2025), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, issued by the IAASB in July 2025. Refer paragraphs 10-11 of this Basis of Conclusions document for further detail on the compelling reason amendments.
3. In December 2021, the IAASB approved a project proposal that addresses the revision of extant ISA 240 and the conforming and consequential amendments to other relevant ISAs, to enhance or clarify the auditor's responsibilities on fraud in an audit of financial statements. The project objectives that support the public interest included revising extant ISA 240 to:
 - Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements;
 - Promote consistent behaviour and facilitate effective responses to identified risks of material misstatement due to fraud through more robust requirements and enhancing application material where necessary;
 - Reinforce the importance, throughout the audit, of the appropriate exercise of professional scepticism in fraud-related audit procedures; and
 - Enhance transparency on fraud-related procedures where appropriate, including strengthening communications with those charged with governance (TCWG) and the auditor reporting requirements.
4. The IAASB released an exposure draft of proposed revised ISA 240 in February 2024 and within the same month, the AUASB exposed the IAASB exposure draft to gather feedback from Australian stakeholders to inform its submission to the IAASB. Comments letters from stakeholders are available on the AUASB website.
5. The AUASB also sought input by hosting a series of virtual roundtable meetings with stakeholders representing assurance providers from medium and large audit firms, the public sector and the professional accounting bodies across Australia.
6. The comment period closed on 21 May 2024. The AUASB received written comment letters from:
 - [Australasian Council of Auditors General](#)
 - [Pitcher Partners](#)
 - [Deloitte Touche Tohmatsu Australia](#)
 - [KPMG Australia](#)

7. The AUASB considered all submissions received and provided a [written submission to the IAASB](#) in June 2024.
8. The AUASB monitored the development of ISA 240 to ensure that the AUASB's issues raised were appropriately addressed. Further details regarding the development of ISA 240 and how the IAASB addressed feedback on their exposure draft can be found in the [ISA 240 Basis for Conclusions](#) on the IAASB's website.

Substantive Comments raised by Australian Respondents on Exposure

9. The AUASB received feedback from respondents on the Australian exposure of ISA 240 with the substantive comments included in the submission to the IAASB relating to:
 - (a) Transparency in the auditor's report and by directors; and
 - (b) Application to clearly trivial fraud or suspected fraud.

The Appendix details substantive feedback received from Australian stakeholders and how those matters have been addressed in the final ISA 240.

Compelling reasons assessment

10. The adoption of international standards and any changes to adopted standards are governed by the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy). The policies and procedures incorporate "compelling reasons" tests which must be met to support changes to the international standards. Changes are made only when the AUASB is satisfied that there are persuasive reasons to do so. Further to paragraph 1 of this Basis of Conclusions document, compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
11. The AUASB has made the following compelling reason additions upon adoption of ISA 240 in Australia as ASA 240:
 - (a) For an audit engagement under the *Corporations Act 2001* (the Act), resigning from the appointment as an auditor can only be made in accordance with the provisions of the Act, including in certain circumstances, obtaining consent to resign from the Australian Securities and Investments Commission (ASIC).
 - (b) Legislation may require the auditor or a member of the audit team to maintain the confidentiality of information disclosed to the auditor, or a member of the audit team, by a person regarding contraventions or possible contraventions of the law. In such circumstances, the auditor or a member of the audit team may be prevented from communicating that information to management or TCWG in order to protect the identity of the person who has disclosed confidential information that alleges a breach of the law. In such circumstances, the auditor may consider obtaining legal advice to assist in determining the appropriate course of action and may need to consider the implications for the audit engagement.
 - (c) An auditor is required by the Act to notify ASIC if the auditor is aware of certain circumstances.

Early Adoption

12. [Because of the potential confusion for users if auditors' reports for the same or similar periods within the marketplace lack consistency, the AUASB believes that if early adoption is contemplated the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects should preferably be early adopted as a package, rather than on a piecemeal basis.](#)

Conclusion

~~12.13.~~ The AUASB voted to approve and issue ASA 240 and AUASB 2025-6 on ~~9 July 14~~
October 2025.

~~13.14.~~ In reaching its conclusions the AUASB considered:

- (a) all stakeholder feedback;
- (b) the IAASB's due process and consideration as to whether ISA 240 should be re-exposed; and
- (c) whether the amendments made to ISA 240 by the IAASB since exposure were in response to submissions from stakeholders on the exposure draft, have not changed the fundamental approach and principles on which the standard is based, and did not require the re-expose of the standard.

* * *

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Appendix

How the substantive comments raised in the AUASB submission to the IAASB have been addressed in the final ISA 240

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
1	Transparency in reporting	
1.1	Replacing the heading 'Key Audit Matters Including Matters Related to Fraud' in the audit report with 'Key Audit Matters (Including Matters Related to Fraud and Error)' for consistency with the text that appears immediately after the heading. This will avoid over-emphasising the importance of fraud risk compared to risk of error.	<i>This matter has been addressed in revised ISA 240.</i> The IAASB has removed the words "Including Matters Related to Fraud" in the section heading. There is a requirement in paragraph 61 is to use an appropriate subheading for each KAM that clearly describes that the matter relates to fraud sufficiently emphasises the KAMs related to fraud. Application material supports this requirement, refer 1.2 below.
1.2	Including appropriate examples in the application material demonstrating that fraud related KAMs are often interlinked with KAMs related to error (e.g. a KAM related to an estimate). Otherwise, KAM related fraud risks may always be treated as stand-alone KAMs, which may drive boilerplate statements.	<i>This matter has been partially addressed by the IAASB. While the IAASB has not addressed the AUASB's encouragement for additional guidance, the AUASB's concern with the requirements themselves has been addressed.</i> Combined with the change to the heading, AM paragraph A185 further explains: <i>If a matter related to fraud is determined to be a key audit matter and there are a number of separate, but related, considerations that were of most significance in the audit, the auditor may communicate the matters together in the auditor's report. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition and revenue recognition may also be identified as a risk of material misstatement due to fraud. In such circumstances, the auditor may include in the auditor's report one key audit matter related to revenue recognition with an appropriate subheading that clearly describes the matter, including that it relates to fraud.</i>
1.3	Some practitioners were concerned with possible litigation where a material fraud is later discovered but there was no KAM in the auditor's report. Additionally, a fraud matter may still be under investigation at the time of the audit report and communicating the matter in a KAM could create legal risk for both the company and the auditor.	<i>This matter has been addressed in revised ISA 240.</i> The IAASB acknowledged respondents' comments and that the concern with respect to suspected fraud, on-going investigations and uncertain outcomes, as well as disclosing original information, and believes it is covered by ISA 701 paragraph 14(b) (which does not require a key audit matter to be disclosed in the rare circumstances where the consequence of disclosure outweighs the public interest benefits) and related application material. Paragraph A189 addresses cases where a KAM is not communicated in the auditor's report and includes a reference to ISA paragraph 14(b) of 701. Furthermore, application material paragraph A189 highlights that ISA 701 includes considerations and guidance on original information that may be particularly relevant in the context of communicating KAMs related to fraud.

Basis for Conclusions ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards*

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
1.4	Australian practitioners expressed concern that some auditors could include boilerplate fraud related KAMs (e.g. on management override of controls) to avoid stating that there are no KAMs related to fraud to communicate. The AUASB suggested that where there are no KAMs related to fraud, highlighting in the auditor's report that the auditor's objective is to obtain reasonable assurance that the financial report as a whole is free of material misstatement, whether due to fraud or error.	<i>This matter has been addressed in revised ISA 240.</i> The IAASB has deleted the requirement to disclose when there are no KAMs related to fraud.
2	Work Effort Requirements	
2.1	The AUASB submission raised concerns with the proposed work effort in ED 240 where clearly trivial fraud has been identified. Instead, there could be a stand-back provision to address the possibility of an accumulation of matters that alone might be considered clearly trivial.	<i>This matter has been partially addressed by the IAASB. The Office of the AUASB accepts the position that the stand-back will be looked at holistically within the Audit Evidence and Risk Response project currently underway.</i> A 'clearly inconsequential' exception threshold has been added to paragraphs 55. The IAASB reaffirmed its position that a separate stand-back requirement is not needed given existing stand-back requirements in other ISA to consider, among other things, whether the audit evidence obtained adequately supports the auditor's risk identification and assessment and responds to assessed risks. An integrated and coherent approach to stand-back requirements across the suite of ISAs will be considered in the Audit Evidence and Risk Response project.
2.2	Making the requirement in paragraph 55(a) (now paragraph 54(a)) to inquire about the matter with a level of management that is at least one level above those involved, subject to any legislation that may prevent the auditor from making a direct enquiry to management, such as where the auditor is notified of a fraud or suspected fraud by an anti-corruption regulator. Indirect enquiry may be possible.	<i>This matter has been addressed by the IAASB</i> The IAASB has addressed this by inserting the words 'when appropriate in the circumstances' to paragraph 54(a). The IAASB considers that the determination of which level of management is appropriate is a matter of professional judgement.
2.3	The assessment in paragraph 56 (now paragraph 55) should be imposed on the auditor rather than the engagement partner. In practice it may be made by the engagement partner but that may not be practical in some scenarios,	<i>This matter has partially been addressed by the IAASB. The Office of the AUASB accepts the position of the IAASB in relation to the engagement partner's responsibilities</i> The IAASB has deliberated this matter but continues to believe that these determinations should be made by the engagement partner (other than for matters that are clearly inconsequential) due to the importance of appropriately

Basis for Conclusions ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* and AUASB 2025-6 *Amendments to Australian Auditing Standards*

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
	such as large groups with component audits.	assessing the impact of fraud or suspected fraud on the audit. The IAASB considers that this requirement is scalable and proportional and that it is appropriate for the engagement partner to use information obtained by other members of the engagement team, including component auditors in the case of a group audit, to make these determinations. The IAASB have included new application material paragraph at A162 reminding practitioners that in fulfilling this requirement, the engagement partner (as described in ISA 220) may obtain information from other members of the engagement team (e.g. component auditors).

Draft



AUASB Agenda Paper

Title: AUASB 2025-8 & AUASB 2025-9

Date: 14 Oct 2025

Office of AUASB: See Wen Ewe

Agenda Item: 8.0

Objective of Agenda Item

1. The objective of this Agenda Item is to seek AUASB's approval to issue:
 - (a) AUASB 2025-8 Amendments to ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and ASA 101 *Preamble to AUASB Standards* and the related Explanatory Statement (see section A of this paper);
 - (b) AUASB 2025-9 *Amendments to AUASB Standards* and the related Explanatory Statement (see section B of this paper); and
 - (c) Conforming Amendments to Other AUASB Standards as a result of the revisions to the definitions of listed entity and public interest entity in the APESB Code.

Questions for AUASB members

No.	Questions
1	Do the AUASB members: (a) agree with the proposed operative date of draft AUASB 2025-8 (Agenda Paper 8.3) and approve the amending standard; and (b) the accompanying explanatory statements (Agenda Paper 8.3.1) for issue? (See section A of this paper)
2	Do AUASB members agree with the following Australian-specific amendments in AUASB 2025-9? (a) Adoption of PIE categories as identified in APESB Code (see paragraphs 15 & 16 of this paper); (b) Opinion paragraph of [Aus] Illustration 6A of ASA 570 (see paragraph 19 of this paper); and (c) Going concern diagram to be included in ASA 570 (see paragraph 20 of this paper).
3	Do AUASB members agree to exclude early adoption from all 3 projects (see paragraph 18 of this paper)?
4	Subject to any editorials that may be identified from further quality review, do AUASB members approve the following documents for issue: (a) Draft AUASB 2025-9 (Agenda Paper 8.1); (b) Explanatory Statement to AUASB 2025-9 (Agenda Paper 8.1.1); and (c) Conforming Amendments to Other AUASB Standards (Agenda Paper 8.2)?
5	Do AUASB members agree that the AUASB 2025-9 should not be re-exposed in Australia (see section D of this paper)?
6	Do AUASB members have any comments on the draft AUASB 2025-9 Basis for Conclusions (Agenda Paper 8.1.2)?

Background and Previous Discussions on Topic

2. The IAASB issued *Narrow Scope Amendments to the ISQMs, ISAs and ISRE 2400 (Revised) as a result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*¹ on 1 September 2025. These narrow scope amendments to IAASB standards revise the definition of listed entity to publicly traded entity to align with the definition in the IESBA Code.

¹ International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (including International Independence Standards)*

3. The narrow scope amendments (PIE Track 2):
 - (a) Adopt the same definition of publicly traded entity (PTE) in the ISQMs and ISAs as adopted in the IESBA Code, while recognising the role local standard setters and regulators play in defining PTEs for their jurisdictions.
 - (b) Incorporate an overarching objective for differential requirements for PTEs in the ISQMs and ISAs and a framework for when it may be appropriate to apply such requirements to other entities.
 - (c) Amend the applicability of the existing requirements for audits of listed entities to apply to audits of PTEs.
 - (d) Add a new requirement in ISRE 2400 (Revised) for public disclosure in the practitioner's review report when the practitioner applied independence requirements specific to reviews of financial statements of certain entities, e.g., for public interest entities.
4. Previous discussion on this topic can be found in [Agenda Item 5.3 of the 10 September 2024 meeting pack](#) and [Agenda Item 7 of the 19 February 2025 meeting pack](#).

Matters for AUASB Consideration

A. Conforming Amendments to ASRE 2410

5. ISRE 2410 is still in pre-clarity format and has not been updated for some time. Throughout the IAASB's PIE Project (Track 1 and Track 2), ISRE 2410 was excluded from the narrow scope amendments while awaiting a full revision of ISRE 2410 by the IAASB. See [Agenda Item 2.1 of the 10 September 2025 meeting pack](#) for more details.
6. However, in Australia we have stepped ahead of the IAASB and have revised ASRE 2410 to align with the auditor's report enhancements. ASRE 2410 is a legislative instrument made under s336 of the *Corporations Act 2001* and is widely used by auditors for reviews of half-yearly reports by disclosing entities. As the completion of ISRE 2410 is only expected March 2027 with a possible effective date of December 2028, the Office of the AUASB is proposing to amend ASRE 2410 as follows:
 - (a) Amendments relating to PIE Track 1 to align with ASA 700 (see [Agenda Item 6 of the 28 January 2025 meeting pack](#) for more details) via an amending standard AUASB 2025-8 for financial reporting periods commencing on or after 1 July 2025; and
 - (b) Amendments relating to PIE Track 2 via an amending standard AUASB 2025-9 together with the other PIE Track 2 amendments for financial reporting periods commencing on or after 15 December 2026.
7. The Office of the AUASB proposes flowing through the amendments in two tranches due to the different operative dates. As the amendments in PIE Track 1 are operative for financial reporting periods commencing on or after 15 December 2024, the half-year reviews for December 2025 year-ends would have concluded by now. Therefore, the Office of the AUASB proposes the operative date to be 1 July 2025 to capture the half-year reviews for June 2026 year-ends. Retrospective application of the standard is explained in the accompanying explanatory statement (see Agenda Paper 8.3.1).
8. Amendments relating to PIE Track 1 include adding a new requirement for the auditor to publicly disclose when the auditor applied independence requirements specific to **audits** of financial reports of PIEs.
9. Extant ASRE 2410 requires auditors to include in the review report that they have complied with the "relevant ethical requirements relating to the **audit** of the annual financial report". This is because the ethical requirements for an interim review under ASRE 2410 are the same as for the annual audit.
10. Part 4A of the Code relate to audit and review engagements. The Office of the AUASB considered whether to retain relating to the 'audit', or to change this to 'audit and review', or 'review'? All options are technically the same and correct.
11. Given that extant ASRE 2410 uses the term 'audit', the Office of the AUASB decided to retain the wording from extant paragraph 35(c) of ASRE 2410 and add "of public interest entities". This is to ensure that the proposed amendments in AUASB 2025-8 are consistent with both the extant ASRE

2410 wording (currently being used by auditors in Australia) and PIE Track 1 wording. This also avoids the potential to change the wording now and again when the IAASB issues its revised ISRE 2410.

12. The NZAuASB decided at its October meeting to amend ISRE NZ 2410 to include “independence requirements specific to **audits and reviews** of financial statements...” .
13. The Process for Harmonisation with New Zealand Standards details that the joint objective of the NZAuASB and AUASB is to achieve a harmonised set of assurance standards between New Zealand and Australia. The Office of the AUASB consider there to be no difference in substance and this difference in wording and not against this objective. The wording will also be consistent with the IAASB standard.
14. As the amendments to ASRE 2410 are narrow in scope and consistent with the amendments in PIE Track 1 which were exposed in Australia in 2022, further consultation is not considered necessary.

B. PIE Track 2 amendments

Australian-specific paragraphs

15. In accordance with the AUASB Policy and Process for International Conformance and Harmonisation of Standards, international standards should only be modified if there are compelling reasons to do so. The Compelling Reason Test for modification of an international standard is triggered when the international standard does not reflect, or is not consistent with, Australian legal and regulatory arrangements, or principles and practices that are considered appropriate in maintaining or improving audit or assurance quality in Australia. Compelling reasons are further guided by the AUASB’s policy of harmonisation with the standards of the New Zealand Auditing and Assurance Standards Board (NZAuASB). Any such changes must not result in a requirement that is lesser than or in conflict with the requirements of the equivalent international standard. Any addition or modification from the international standard will be clearly marked as an Australian paragraph (“Aus” prefix). However, minor wording and spelling changes (as opposed to significant terminology changes) need not be reflected in the Australian standard as a modification to the international standard where the intent remains unchanged.
16. The following application material paragraphs are deleted and replaced by Aus paragraphs to adopt the categories of public interest entity identified in the APESB Code. The Aus paragraphs will be consistent with Australian practices and do not result in a requirement that is lesser than or in conflict with the requirements from the international standard. These changes are shown as mark-ups in Agenda Paper 8.1.
 - (a) New paragraph A5 of ASQM 1 is deleted and replaced by paragraph Aus A5.1.
 - (b) New paragraph A16 of ASA 200 is deleted and replaced by paragraph Aus A16.1.

Amendments to ASA 240

17. The IAASB made two amendments to the application material paragraphs of ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*. As the Australian equivalent standard (ASA 240) was only approved in-principle at the July 2025 AUASB meeting, the Office of the AUASB proposed to flow through PIE Track 2 changes directly to ASA 240 for AUASB’s final approval. The amendments are marked up in Agenda Paper 7.1.

Amendments to ASA 570

18. In the IAASB’s Bases for Conclusions for ISA 570 (Revised) *Going Concern*, ISA 240 (Revised) and PIE Track 2, it was noted that if early adoption is contemplated the collective changes arising from these 3 projects should preferably be early adopted as a package, rather than on a piecemeal basis to avoid potential confusion for users. The Office of the AUASB proposes to remove the early adoption sentence for all 3 projects. As ASA 570 was approved at the May 2025 AUASB meeting, the Office of the AUASB proposes the removal of the early adoption sentence via AUASB 2025-9. The Basis for Conclusions for ASA 570 is updated to reflect this change. Although the basis for conclusions document does not require the AUASB’s approval, the revised Basis for Conclusions for ASA 570 is provided in the meeting pack as Agenda Paper 8.1.3, any feedback from the AUASB is welcomed. Section 336 of the Corporations Act will still permit early adoption of the standards but it won’t be highlighted in the standards.

19. The following words are proposed to be included in the opinion paragraph of [Aus] Illustration 6A:

“In our opinion, because of the significance of the omission of the information described mentioned in the *Basis for Adverse Opinion* section of our report, the accompanying financial report of ABC Company Ltd., is not in accordance with the *Corporations Act 2001* including:

(a) ...”

The proposed amendment is to provide consistency with [Aus] Illustration 2A of ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report* and to harmonise with NZAuASB’s ISA (NZ) 570.

20. Stakeholder feedback on ED-ISA 570 was that the diagram in [Aus] Appendix 1 of the extant ASA 570 is very useful. Accordingly, the Office of the AUASB also proposes to include a diagram linking going concern considerations and types of audit opinions in [Aus] Appendix 2 of ASA 570.
21. As the ASAs (other than ASA 805 and ASA 810) are legislative instruments, they can only be amended by another legislative instrument. See Agenda Paper 8.1 for the draft amending standard AUASB 2025-9. Amendments to the non-legislation standards ASA 805, ASA 810 and ASRE 2400 are presented in a table format in Agenda Paper 8.2.
22. Consistent with paragraph 6(a) of this paper, conforming amendments to ASRE 2400 which are related to PIE Track 1 are proposed to apply for financial reporting periods commencing on or after 1 July 2025.

C. Basis for Conclusions

23. In accordance with the AUASB’s *Due Process Framework for Developing, Issuing, and Maintaining AUASB Pronouncements and Other Publications*, a Basis for Conclusions (see Agenda Paper 8.1.2) has been prepared detailing how decisions were reached on AUASB 2025-9, including:
- (a) Referring to the IAASB’s Basis for Conclusions which outlines how the IAASB responded to comments received in submissions on its PIE Track 2 exposure draft; and
- (b) Explain the reasons for the Australian-specific amendments (see also paragraphs 15 and 16 above).
24. While the Due Process Framework does not require the AUASB to approve the Basis for Conclusions, AUASB member feedback is welcomed.

D. Re-exposure of PIE Track 2

25. The *AUASB Due Process Framework* contains criteria for re-exposure of standards. The criteria and how they apply for the amendments relating to PIE Track 2 are summarised in the table below.

Paragraph reference	Criterion	Comments	Supports re-exposure?
72(a), 73	The nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed. See also paragraph 73 below.	In relation to these criteria: - The objectives of the project as outlined in paragraph 3 of the Basis for Conclusions (see Agenda Paper 8.1.2) have not changed. - The changes proposed to requirements and recommended practices since the PIE Track 2 ED are not so significant as to cause a major change in practice. See Agenda Item 7 of 19 February 2025 meeting board pack regarding the changes.	No
73	To determine whether proposed standard changed substantially from the ED, the	The key elements of the ED have been retained.	No

Paragraph reference	Criterion	Comments	Supports re-exposure?
	Board considers whether the objectives of the project have changed or if significant new requirements or recommended practices, that would cause a major change in practice, have been introduced. Additionally: a) changes impacting on potential compelling reasons modifications to international standards adopted in Australia, are generally considered to be significant changes; b) where key elements of the exposed standard have been modified in response to comments received on exposure to clarify and enhance understanding, re-exposure is generally not required as long as the Board considers the key elements of the ED have been retained; c) matters relating to the structure or presentation of a standard will typically not warrant re-exposure. The more extensive and/or fundamental the changes to the original ED and current practice are, the more likely it is that the revisions to the ED will have a significant impact on Australian stakeholders and that the proposals therefore should be exposed for a second time.	- Respondents to the February 2024 AUASB Consultation Paper <i>Exposure of the IAASB's Proposed Narrow Scope Amendments to:</i> <i>International Standards on Quality Management;</i> <i>International Standards on Auditing; and</i> <i>International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements</i> <i>as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code</i> overall supported for the adoption of the definitions of PIE and “publicly traded entity” to be adopted in Australia. - All of the areas of change proposed by the IAASB were public at the time of the AUASB Consultation Paper.	
72(b)	The nature and extent of new substantive issues not considered during the initial consultation;	See above.	No
72(c)	For international equivalent standards, whether there are unique factors in Australia driving re-exposure (ensuring that any re-exposure does not conflict with the AUASB's policy of convergence to international standards).	None.	No
72(e)	The nature and extent of input from stakeholders and whether: i. further consultation with those stakeholders is required; or ii. additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard	None.	No
72(d)	Whether any persuasive or significant new evidence has been identified which may impact recommended changes to the proposed standard.	We are not aware of any such evidence.	No
74	The impact of delaying implementation due to re-exposure against the relative urgency and importance of any additional	Not applicable.	No

Paragraph reference	Criterion	Comments	Supports re-exposure?
	changes to a proposed standard. The Board considers the additional steps it has taken to consult with stakeholders since issuing the ED and whether using committees or targeted consultation could provide the Board with information to support a decision to finalise a revised draft without re-exposure. The Board considers whether any implementation support, for example, the issuance of additional non-authoritative implementation guidance material or staff FAQs would address concerns.		

26. Having regard to the above, it is recommended that AUASB 2025-9 is not re-exposed in Australia.
27. The Office of Impact Analysis has advised that an Impact Analysis is not required for AUASB 2025-9.

Collaboration with NZAuASB

28. The Office of the AUASB worked closely with NZAuASB staff in developing the Going Concern diagram which was presented to the NZAuASB at their October meeting. The diagram will be issued in a separate guidance document in NZ but will be included in an appendix to ASA 570 (see paragraph 20 above).
29. The Office of the AUASB also engaged with NZAuASB staff regarding the PIE Track 1 and PIE Track 2 changes. The NZAuASB staff is proposing not to adopt IAASB's definition for publicly traded entities as the extant differential requirements already apply to entities with a higher level of public accountability under the *New Zealand Financial Markets Conduct Act 2013* (FMC Act) and it is considered that the international standards allow the use of a local criterion. Apart from this difference due to local regulatory requirements, the proposals in AUASB 2025-8 and AUASB 2025-9 are harmonised with the NZAuASB staff proposals.

Next steps

30. Subject to the AUASB's approval of AUASB 2025-8 and AUASB 2025-9, the Office of the AUASB will perform a further quality review of the documents for editorials and lodge AUASB 2025-8 and AUASB 2025-9 for the Federal Register of Legislation. The compilation work for AUASB 2025-8 will commence shortly. However, the compilation work for AUASB 2025-9 will be performed together with compilation work for consequential amendments relating to ASA 570 and ASA 240 due to the same operative date.

Materials presented

Agenda paper	Description
8.1	Draft AUASB 2025-9 <i>Amendments to AUASB Standards</i>
8.1.1	Draft AUASB 2025-9 Explanatory Statements
8.1.2	Draft basis for conclusions – AUASB 2025-9
8.1.3	Revised basis for conclusions – ASA 570 (for information only)
8.2	Draft Conforming Amendments to Other AUASB Standards
8.3	Draft AUASB 2025-8 <i>Amendments to ASRE 2410</i>
8.3.1	Draft AUASB 2025-8 Explanatory Statements

AUASB 2025-9
(October 2025)

AUASB 2025-9

Amendments to AUASB Standards

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Standard

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

Reasons for Issuing AUASB 2025-9

The AUASB issues AUASB 2025-9 *Amendments to AUASB Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This Standard makes amendments to the requirements, application and other explanatory material and appendices of the following AUASB Standards:

ASQM 1	<i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> (Issued 10 March 2021 and amended to 28 January 2025)
ASQM 2	<i>Engagement Quality Reviews</i> (Issued 10 March 2021 and amended to 28 January 2025)
ASA 200	<i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i> (Issued 27 October 2009 and amended to 5 November 2021)
ASA 210	<i>Agreeing the Terms of Audit Engagements</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 220	<i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> (Issued 10 March 2021 and amended to 27 April 2022)
ASA 260	<i>Communication With Those Charged with Governance</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 265	<i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i> (Issued 27 October 2009 and amended to 3 March 2020)
ASA 315	<i>Identifying and Assessing the Risks of Material Misstatement</i> (Issued 6 March 2020 and amended to 27 April 2022)
ASA 510	<i>Initial Audit Engagements—Opening Balances</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 570	<i>Going Concern</i> (Issued 14 May 2025)
ASA 600	<i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i> (Issued 13 May 2022 and amended to 16 December 2024)
ASA 700	<i>Forming an Opinion and Reporting on a Financial Report</i> (Issued 1 December 2015 and amended to 28 January 2025)

ASA 701	<i>Communicating Key Audit Matters in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 27 April 2022)
ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 27 April 2022)
ASA 706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 15 March 2023)
ASA 710	<i>Comparative Information—Corresponding Figures and Comparative Financial Reports</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 720	<i>The Auditor's Responsibilities Relating to Other Information</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 800	<i>Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i> (Issued 26 July 2016 and amended to 7 September 2021)
ASRE 2410	<i>Review of a Financial Report Performed by the Independent Auditor of the Entity</i> (Issued 9 June 2020 and amended to 13 December 2022)

The amendments arise from narrow scope amendments made by the International Auditing and Assurance Standards Board (IAASB) to the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2025-9 *Amendments to AUASB Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

D Niven
Chair - AUASB

Draft

Conformity with International Standards on Auditing

This Standard makes amendments to other AUASB Standards that are consistent with changes made by the International Auditing and Assurance Standards Board (IAASB) to the equivalent international standards.

Draft

AUASB 2025-9

Amendments to AUASB Standards

Application

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

Operative Date

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

Introduction

Scope of this Auditing Standard

4. This Standard makes amendments to other AUASB Standards. The amendments arise from IAASB's 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.

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) *ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (Issued 10 March 2021 and amended to 28 January 2025)
 - (b) *ASQM 2 Engagement Quality Reviews* (Issued 10 March 2021 and amended to 28 January 2025)
 - (c) *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (Issued 27 October 2009 and amended to 5 November 2021)
 - (d) *ASA 210 Agreeing the Terms of Audit Engagements* (Issued 27 October 2009 and amended to 15 March 2023)
 - (e) *ASA 220 Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (Issued 10 March 2021 and amended to 27 April 2022)
 - (f) *ASA 260 Communication With Those Charged with Governance* (Issued 1 December 2015 and amended to 28 January 2025)
 - (g) *ASA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* (Issued 27 October 2009 and amended to 3 March 2020)

- (h) *ASA 315 Identifying and Assessing the Risks of Material Misstatement* (Issued 6 March 2020 and amended to 27 April 2022)
- (i) *ASA 510 Initial Audit Engagements-Opening Balances* (Issued 27 October 2009 and amended to 15 March 2023)
- (j) *ASA 570 Going Concern* (Issued 14 May 2025)
- (k) *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* (Issued 13 May 2022 and amended to 16 December 2024)
- (l) *ASA 700 Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 28 January 2025)
- (m) *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 27 April 2022)
- (n) *ASA 705 Modifications to the Opinion in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 27 April 2022)
- (o) *ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* (Issued 1 December 2015 and amended to 15 March 2023)
- (p) *ASA 710 Comparative Information-Corresponding Figures and Comparative Financial Reports* (Issued 27 October 2009 and amended to 15 March 2023)
- (q) *ASA 720 The Auditor's Responsibilities Relating to Other Information* (Issued 1 December 2015 and amended to 28 January 2025)
- (r) *ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued 26 July 2016 and amended to 7 September 2021)
- (s) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity* (Issued 9 June 2020 and amended to 13 December 2022)

Definition

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

Amendments to AUASB Standards

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

Amendments to ASQM 1

9. The following paragraph 6 is inserted following existing paragraph 5:

Some of the requirements set out in the ASQMs are applicable only to audits of financial reports 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. A3–A4)

10. The following paragraph 7 is inserted following the new paragraph 6:

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 ASQMs that apply to audits of financial reports of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial reports that can be used when assessing the entity's financial condition. (Ref: Para. A3–A7)

11. Existing paragraph Aus 10.1 is amended to read as follows:

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

- (a) ...

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 reports of ~~listed publicly traded~~ entities, will likely need to have a more complex and formalised system of quality management and supporting documentation, than a firm that performs only reviews of financial reports or agreed-upon procedures engagements.

12. Existing sub-paragraph 16(j) is deleted:

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

13. The following sub-paragraph 16(p) is inserted following existing paragraph Aus 16.7:

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 the ASQMs:

- (i) If law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, the firm applies that more explicit definition. For example, law, regulation or professional requirements may define publicly traded entities 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.
- (ii) When terms other than publicly traded entity are applied to entities by law, regulation or professional requirements to meet the purpose described in paragraphs 6 and 7, such terms are regarded as equivalent to “publicly traded entity”.

14. Existing paragraph 34 is amended to read as follows:

In designing and implementing responses in accordance with paragraph 26, the firm shall include the following responses: (Ref: Para. A116)

- (a) ...

-
- (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 a financial report 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) ...
- (f) The firm establishes policies or procedures that address engagement quality reviews in accordance with ASQM 2, and require an engagement quality review for:
- (i) Audits of financial reports of ~~listed~~ publicly traded entities;
- (ii) ...
15. The following paragraph A3 is inserted following existing paragraph A2:
- 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 ASQM for audits of financial reports of publicly traded entities to the audits of such other entity(ies). Paragraphs A4–A7 may be relevant in this regard.
16. The following paragraph A4 is inserted following the new paragraph A3:
- 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.
17. The following paragraph A5 is inserted following the new paragraph A4:
- [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 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 APESB 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; or
- An entity specified as such by law, regulation or professional standards to meet the purpose described in paragraph 400.15 of the Code.

The Code provides for the categories to be more explicitly defined or added to as described in paragraphs 400.23 A1 and 400.23 A2 of the Code.

18. The following paragraph A6 is inserted following the new paragraph A5:

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:

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

19. The following paragraph A7 is inserted following the new paragraph A6:

The firm may also consider the following factors in determining whether it may be appropriate to apply one or more requirements in an ASQM 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.

^{*} Includes a listed entity as defined in Section 9 of the Corporations Act 2001.

- Whether in similar circumstances, a predecessor firm has applied differential requirements for publicly traded entities to the entity.

20. Existing paragraph A128 is amended to read as follows:

ASA 260 deals with the auditor's responsibility to communicate with those charged with governance in an audit of a financial report, 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 A3) (or when performing other engagements). Examples of such entities may include financial institutions (such as banks, insurance companies and superannuation funds) and other entities such as not-for-profit organisations, 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 superannuation 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.~~

21. Existing paragraph A132 is amended to read as follows:

The firm uses professional judgement 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 a financial report of ~~listed publicly traded~~ entities, which may be made orally or in writing. Accordingly, the form of communication may vary.

...

22. Existing paragraph A133 is amended to read as follows:

This ASQM requires an engagement quality review for audits of financial reports 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;
- ...

23. Existing paragraph A134 is amended to read as follows:

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:

- ...

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

- ...

- ~~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 A3) 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 superannuation funds) and other entities such as not-for-profit organisations.

- ~~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 superannuation 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.~~

24. Existing paragraph A151 is amended to read as follows:

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.
 - ◆ ...

25. Existing paragraph A166 is amended to read as follows:

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:

- ...

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 a financial report of a ~~listed~~ publicly traded entity was issued that was inappropriate or the identified deficiency relates to leadership's actions and behaviours regarding quality.

- ...

Amendments to ASQM 2

26. Existing paragraph A3 is amended to read as follows:

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.

27. Existing paragraph A30 is amended to read as follows:

The nature and extent of the engagement quality reviewer's procedures for a specific engagement may depend on, among other factors:

- ...
- The nature and size of the entity, including whether the entity is a ~~listed publicly traded~~ entity.
- ...

Amendments to ASA 200

28. The following paragraph 10 is inserted following existing paragraph 9:

Some of the requirements set out in the ASAs are applicable only to audits of financial reports 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. A14-A15)

29. The following paragraph 11 is inserted following the new paragraph 10:

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 ASAs that apply to audits of financial reports of publicly traded entities is to meet these expectations, thereby enhancing stakeholders' confidence in the entity's financial reports that can be used when assessing the entity's financial condition. (Ref: Para. A14-A18)

30. The following sub-paragraph 13(m) is inserted following existing paragraph 13(l):

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 the ASAs:

- (i) If law, regulation or professional requirements define more explicitly a publicly traded entity in a specific jurisdiction, the auditor applies that more explicit definition. For example, law, regulation or professional requirements may define publicly traded entities 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.

- (ii) When terms other than publicly traded entity are applied to entities by law, regulation or professional requirements to meet the purpose described in paragraphs 10 and 11, such terms are regarded as equivalent to "publicly traded entity".

31. The following paragraph A14 and heading is inserted following existing paragraph A13:

Public Interest in the Financial Condition of an Entity (Ref: Para. 10-11)

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 ASA for audits of financial reports of publicly traded entities to the audits of such other entity(ies). Paragraphs A15-A18 may be relevant in this regard.

32. The following paragraph A15 is inserted following the new paragraph A14:

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.

33. The following paragraph A16 is inserted following the new paragraph A15:

[Deleted by the AUASB. Refer Aus A16.1]

Aus A16.1 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 *APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the 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; or

* Includes a listed entity as defined in Section 9 of the Corporations Act 2001.

- An entity specified as such by law, regulation or professional standards to meet the purpose described in paragraph 400.15 of the Code.

The Code provides for the categories to be more explicitly defined or added to as described in paragraphs 400.23 A1 and 400.23 A2 of the Code.

34. The following paragraph A17 is inserted following the new paragraph A16:

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:

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

35. The following paragraph A18 is inserted following the new paragraph A17:

The auditor may also consider the following factors in determining whether to apply one or more requirements in an ASA 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.

36. Existing paragraph A70 is amended to read as follows:

The "considerations specific to smaller entities" included in some Australian Auditing Standards 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.

Amendments to ASA 210

37. Existing paragraph A12 is amended to read as follows:

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 report or monitoring the entity's internal control related to financial reporting. In larger or ~~publicly listed~~ more complex entities, a subgroup of those charged with governance, such as an audit committee, may be charged with certain oversight responsibilities.

Amendments to ASA 220

38. Existing paragraph A39 is amended to read as follows:

ASA 200²⁸ 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. ASA 600 includes additional requirements and guidance to those in this ASA regarding communications about relevant ethical requirements with component auditors.

Amendments to ASA 260

39. Existing paragraph 1 is amended to read as follows:

This Auditing Standard deals with the auditor's responsibility to communicate with those charged with governance in an audit of a financial report. Although this Auditing Standard 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 Auditing Standard 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.

40. Existing paragraph 18 is amended to read as follows:

~~In the case of listed entities, the auditor shall communicate with those charged with governance a:~~

- (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~~

19. For audits of financial reports 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 judgement, may reasonably be thought to bear on independence. This shall include total fees charged during the period covered by the financial report 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. A30)
- (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)~~ (Ref: Para. A31–A32)

41. Existing paragraph 21 is amended to read as follows:

The auditor shall communicate in writing with those charged with governance regarding auditor independence ~~when~~^{as} required by paragraphs 17–19 of this Auditing Standard.

42. The heading above existing paragraph A29 is amended to read as follows:

Auditor Independence (Ref: Para. 17–189)

43. The following paragraph A30 is inserted following existing paragraph A29:

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 APESB Code requires the auditor to communicate with those charged with governance information regarding fees,²⁸ including fees for sustainability assurance engagements, and the provision of non-assurance services for audit clients that are public interest entities.²⁹

44. Existing paragraph A32 is amended to read as follows:

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.³¹ ~~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 superannuation funds), and other entities such as not-for-profit organisations 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 likely where the entity is owner managed, and the auditor's firm and network firms have little involvement with the entity beyond a financial report audit.~~

45. Existing paragraph A40 is amended to read as follows:

In the case of audits of smaller entities, the auditor may communicate in a less structured manner with those charged with governance than in the case of, for example, publicly traded listed or larger entities.

Amendments to ASA 265

46. Existing paragraph A9 is amended to read as follows:

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.

47. Existing paragraph A13 is amended to read as follows:

²⁸ See, for example, paragraphs R410.23–R410.28 of the APESB Code.

²⁹ See, for example, paragraphs R600.21–R600.23 of the APESB Code.

³¹ See ASA 200 paragraph A14.

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 report 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 requirement⁷ for the auditor to complete the assembly of the final audit file on a timely basis. ASA 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.⁸

48. Existing paragraph A15 is amended to read as follows:

The level of detail at which to communicate significant deficiencies is a matter of the auditor's professional judgement 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~~instance, 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~~instance, 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~~instance, 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.

Amendments to ASA 315

49. Existing paragraph A56 is amended to read as follows:

An understanding of the entity's organisational structure and ownership may enable the auditor to understand such matters as:

- ...
- 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.³²

- ...

Amendments to ASA 510

Amendments to ASA 510 Appendix 1: Illustration 1 and [Aus] Illustration 2A

50. The first point of Illustration 1 is amended to read as follows:

For purposes of this illustrative auditor's report, the following circumstances are assumed:
• Audit of the financial report of an entity other than a ~~listed~~ <u>publicly traded</u> entity. The audit is not a group audit (i.e., ASA 600 ⁶ does not apply).
• ...

51. The first point of [Aus] Illustration 2A is amended to read as follows:

For purposes of this illustrative auditor's report, the following circumstances are assumed:
• Audit of the financial report of a single ~~listed~~ <u>publicly traded</u> company. The audit is not a group audit (i.e., ASA 600 ¹³ does not apply).
• ...

Amendments to ASA 570

52. Existing paragraph Aus 0.3 is amended to read as follows:

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

53. Existing paragraph 1 is amended to read as follows:

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

54. Existing paragraph 34 is amended to read as follows:

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) ...
- (b) For an audit of financial report of a ~~listed~~publicly traded entity, when significant judgements are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern: (Ref: Para. A82–A83, A89)
 - (i) ...

55. Existing paragraph 35 is amended to read as follows:

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

- (a) Include a reference to the related disclosure(s) in the financial report; (Ref: Para. A73, A77)
- (b) For an audit of financial report of a ~~listed~~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) ...
56. Existing paragraph A2 is amended to read as follows:
- For audits of financial reports of ~~listed~~publicly traded entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and significant judgements were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this ASA requires the auditor to disclose under the heading of "Going Concern" within the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.
57. Existing paragraph A81 is amended to read as follows:
- Illustration 1 of Appendix 1 to this ASA is an example of an auditor's report of an entity other than a ~~listed~~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.
58. Existing paragraph A82 is amended to read as follows:
- For an audit of a financial report of an entity other than a ~~listed~~publicly traded 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~~ entities other than a ~~listed entity~~publicly traded entities would be appropriate to enhance transparency for intended users of a financial report in the auditor's report. For example, the auditor may decide to do so if the auditor determines that there is significant public interest in the financial condition of those entities.⁴⁰ ~~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 s~~Such entities may include financial institutions (such as banks, insurance companies, and superannuation funds), and other entities such as not-for-profit organisations~~charities~~.
59. Existing paragraph A89 is amended to read as follows:
- Illustration 2 of Appendix 1 to this ASA is an example of an auditor's report of a ~~listed~~publicly traded entity when:
- ...
60. Existing paragraph A91 is amended to read as follows:
- Illustrations 3 and 4 of Appendix 1 to this ASA are examples of an auditor's report of an entity other than a ~~listed~~publicly traded entity and a ~~listed~~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 report.

⁴⁰ See ASA 200 paragraph A14.

61. Existing paragraph A92 is amended to read as follows:

Illustrations 5 and 6 of Appendix 1 to this ASA are examples of auditor's reports for a ~~listed publicly traded~~ entity and an entity other than a ~~listed 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 report.

62. Existing paragraph A101 is amended to read as follows:

In the case of an entity other than a ~~listed publicly traded~~ 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.

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

Illustrations of Independent Auditor's Reports Related to Going Concern

- Illustration 1: An auditor's report of an entity other than a ~~listed publicly traded~~ entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: [Deleted by the AUASB. Refer [Aus] Illustration 2A].
- [Aus] Illustration 2A: An auditor's report on a financial report of a single ~~listed publicly traded~~ company prepared in accordance with the *Corporations Act 2001* containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial report about the significant judgements made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as going concern is adequate.
- Illustration 3: An auditor's report of an entity other than a ~~listed publicly traded~~ entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial report is adequate.
- Illustration 4: [Deleted by the AUASB. Refer [Aus] Illustration 4A].
- [Aus] Illustration 4A: An auditor's report on a financial report of a single ~~listed publicly traded~~ company prepared in accordance with the *Corporations Act 2001* containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial report is adequate.
- Illustration 5: [Deleted by the AUASB. Refer [Aus] Illustration 5A].
- [Aus] Illustration 5A: An auditor's report on a financial report of a single ~~listed publicly traded~~ company prepared in accordance with the *Corporations Act 2001* containing a qualified opinion when the auditor has concluded that a material uncertainty exists and that the financial report is materially misstated due to inadequate disclosure.
- Illustration 6: [Deleted by the AUASB. Refer [Aus] Illustration 6A].
- [Aus] Illustration 6A: An auditor's report on a financial report of a single ~~listed publicly traded~~ company prepared in accordance with the *Corporations Act 2001* containing an adverse opinion when the auditor has concluded that a material

uncertainty exists and the financial report omits the required disclosures relating to the material uncertainty.

- [Aus] Illustration 7: An auditor's report on a financial report of a single ~~listed~~publicly traded company prepared in accordance with the *Corporations Act 2001* containing a disclaimer of opinion (limitation of scope) when the auditor has been unable to obtain sufficient appropriate audit evidence about the company's ability to continue as a going concern.

Amendments to ASA 570 Appendix 1: Illustration 1, [Aus] Illustration 2A, Illustration 3, [Aus] Illustration 4A, [Aus] Illustration 5A, [Aus] Illustration 6A, [Aus] Illustration 7

64. Illustration 1 is amended to read as follows:

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 the financial report of an entity other than a ~~listed~~publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600⁴⁶ does not apply).
- ...

65. [Aus] Illustration 2 is amended to read as follows:

[Aus] Illustration 2 – An Auditor's Report on a Financial Report of a Single ~~Listed~~Publicly Traded Company Prepared in Accordance With the *Corporations Act 2001* Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Report About the Significant Judgements Made by Management in Concluding That There is No Material Uncertainty Is Adequate

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

- Audit of the financial report of a ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

66. Illustration 3 is amended to read as follows:

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 Report Is Adequate

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

- Audit of the financial report of an entity other than a ~~listed~~publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

67. [Aus] Illustration 4A is amended to read as follows:

[Aus] Illustration 4A – An Auditor's Report on a Financial Report of a Single ~~Listed~~Publicly Traded Company Prepared in Accordance With the *Corporations Act*

2001 Containing an Unmodified Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and Disclosure in the Financial Report Is Adequate

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

- Audit of the financial report of a ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

68. [Aus] Illustration 5A is amended to read as follows:

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

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

- Audit of the financial report of a ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

69. [Aus] Illustration 6A is amended to read as follows:

[Aus] Illustration 6A – An Auditor's Report on a Financial Report of a Single ~~Listed~~Publicly Traded Company Prepared in Accordance With the *Corporations Act 2001* Containing an Adverse Opinion When the Auditor Has Concluded That a Material Uncertainty Exists and the Financial Report Omits the Required Disclosures Relating to the Material Uncertainty

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

- Audit of the financial report of a ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

INDEPENDENT AUDITOR'S REPORT

...

Adverse Opinion

...

In our opinion, because of the significance of the omission of the information ~~described~~mentioned in the *Basis for Adverse Opinion* section of our report, the accompanying financial report of ABC Company Ltd., is not in accordance with the *Corporations Act 2001* including:

(a) ...

70. [Aus] Illustration 7 is amended to read as follows:

[Aus] Illustration 7 – An Auditor's Report on a Financial Report of a Single ~~Listed~~Publicly Traded Company Prepared in Accordance With the *Corporations Act*

2001 Containing a Disclaimer of Opinion (Limitation of Scope) When the Auditor Has Been Unable to Obtain Sufficient Appropriate Audit Evidence About the Company's Ability to Continue as a Going Concern

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e. ASA 600* does not apply).
- ...

Amendments to ASA 600

71. [Aus] Illustration 1A of Appendix 1 is amended to read as follows:

[Aus] Illustration 1A: Illustration of Independent Auditor's Report When the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion – General Purpose Financial Report, Qualified Opinion under the Corporations Act 2001

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

- The audit is a group audit of a ~~listed~~publicly traded company with subsidiaries (i.e., ASA 600 applies).
- ...

INDEPENDENT AUDITOR'S REPORT

...

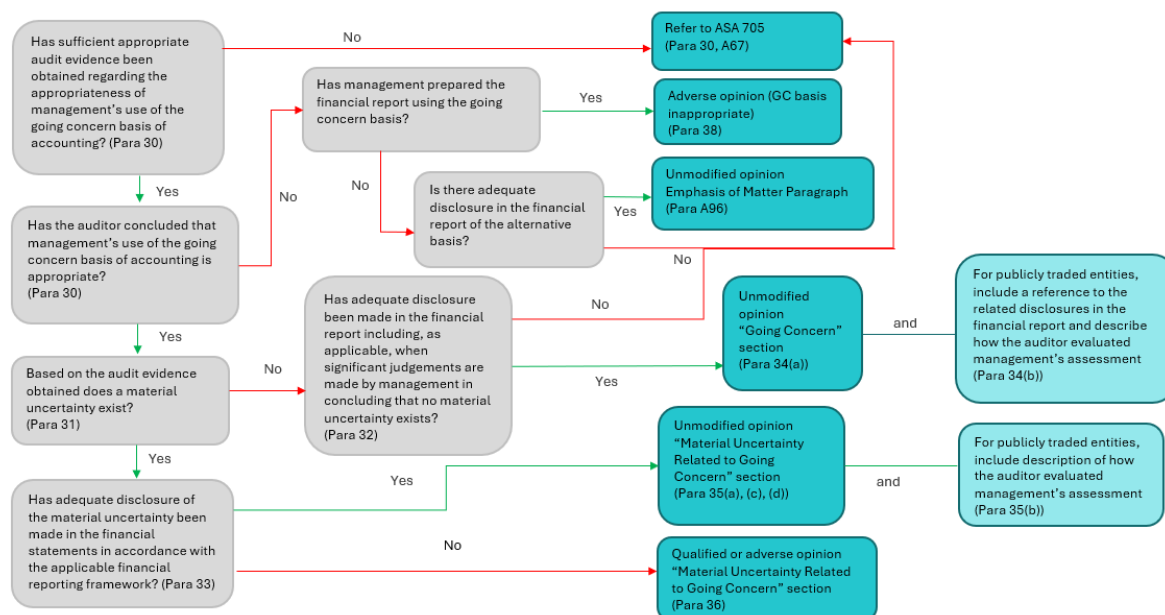
Auditor's Responsibilities for the Audit of the Consolidated Financial Report

[Reporting in accordance with ASA 700 – see [Aus}] Illustration 2A in the Appendix of ASA 700.]

...

72. The following diagram and its heading are inserted after the existing Auditor's Decision-Making Process for Going Concern diagram in [Aus] Appendix 2:

Linking Going Concern Considerations and Types of Audit Opinions



Note: Paragraph references in this chart refers to paragraphs in ASA 570

Amendments to ASA 700

73. Existing paragraph 30 is amended to read as follows:

For audits of financial reports of listed publicly traded entities, the auditor shall communicate key audit matters in the auditor's report in accordance with ASA 701.

74. Existing paragraph 31 is amended to read as follows:

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 ASA 701.
(Ref: Para. A40–A443)

75. Existing paragraph 40 is amended to read as follows:

The Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report also shall: (Ref: Para. A50)

- (a) ...
- (b) ~~For audits of the financial report of listed entities,~~ State that the auditor provides those charged with governance with a statement that the auditor has:
 - (i) Complied with relevant ethical requirements regarding independence; and
 - (ii) For audits of financial reports 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 the financial report of listed publicly traded entities and any other entities for which key audit matters are communicated in accordance with ASA 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 report 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. A53)

76. Existing paragraph A41 is amended to read as follows:

This ASA requires communication of key audit matters for audits of financial reports of publicly traded entities. Law or regulation may also require communication of key audit matters for audits of entities other than publicly traded~~listed~~ entities, for example, entities characterised in such law or regulation as public interest entities.

77. Existing paragraph A42 is amended to read as follows:

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.~~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 superannuation funds), and other entities such as not-for-profit organisations~~charities~~.

78. Existing paragraph A44 is amended to read as follows:

~~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.

79. Existing paragraph A63 is amended to read as follows:

Law or regulation may require that the auditor's report include the name of the engagement partner responsible for audits other than those of ~~a general purpose~~ financial reports of ~~listed~~publicly traded entities. The auditor may also be required by law or regulation, 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.

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

Illustrations of Independent Auditor's Reports on Financial Reports

- Illustration 1: [Deleted by the AUASB.] Refer [Aus] Illustration 1A.
- [Aus] Illustration 1A: An auditor's report on a financial report of a single ~~listed~~publicly traded company prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
- Illustration 2: [Deleted by the AUASB.] Refer [Aus] Illustration 2A.

³³ See ASA 200 paragraph A14.

- [Aus] Illustration 2A: An auditor's report on a financial report of a ~~listed~~publicly traded company and its subsidiaries (Group) prepared in accordance with the *Corporations Act 2001* (a fair presentation framework).
- Illustration 3: An auditor's report on a financial report of an entity other than a ~~listed~~publicly traded entity prepared in accordance with a fair presentation framework.
- Illustration 4: An auditor's report on a financial report of an entity other than a ~~listed~~publicly traded entity prepared in accordance with a general purpose compliance framework.

Amendments to ASA 700 Appendix 1: [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3 and Illustration 4

81. [Aus] Illustration 1A is amended to read as follows:

[Aus] Illustration 1A:

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e. ASA 600 does not apply).
- ...

82. [Aus] Illustration 2A is amended to read as follows:

[Aus] Illustration 2A:

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

- Audit of the financial report of a ~~listed~~publicly traded company and its subsidiaries (the Group). The audit is a group audit (i.e. ASA 600 applies).
- ...

83. Illustration 3 and its heading are amended to read as follows:

Example Auditor's Report

Single Entity (not ~~listed~~publicly traded)

(Fair Presentation Framework)

Illustration 3

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

- Audit of a financial report of an entity other than a ~~listed~~publicly traded entity. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

84. Illustration 4 and its heading are amended to read as follows:

Example Auditor's Report

Single Entity (not ~~listed~~publicly traded)

(Compliance Framework)

Illustration 4:

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

- Audit of a financial report of an entity other than a ~~listed~~publicly traded entity required by law or regulation. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

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

Amendments to ASA 701

85. Existing paragraph 5 is amended to read as follows:

This Auditing Standard applies to audits of general purpose financial reports of ~~listed~~publicly traded entities and circumstances when the auditor otherwise decides to communicate key audit matters in the auditor's report. This Auditing Standard also applies when the auditor is required by law or regulation to communicate key audit matters in the auditor's report.³ However, ASA 705 prohibits the auditor from communicating key audit matters when the auditor disclaims an opinion on the financial report, unless such reporting is required by law or regulation.⁴

86. Existing paragraph A59 is amended to read as follows:

The determination of key audit matters involves making a judgement about the relative importance of matters that required significant auditor attention. Therefore, it may be rare that the auditor of a general purpose financial report 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.

Amendments to ASA 705

Amendments to ASA 705 Appendix: [Aus] Illustration 1A, [Aus] Illustration 2A, [Aus] Illustration 3A, Illustration 4 and Illustration 5

87. [Aus] Illustration 1A is amended to read as follows:

[Aus] Illustration 1A: Qualified Opinion due to a Material Misstatement of the Financial Report

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e. ASA 600 does not apply).
- ...

88. [Aus] Illustration 2A is amended to read as follows:

[Aus] Illustration 2A: Adverse Opinion due to a Material Misstatement of the Financial Report

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

- Audit of the financial report of a ~~listed~~publicly traded company and its subsidiaries (the Group). The audit is a group audit (i.e. ASA 600 applies).
- ...

89. [Aus] Illustration 3A is amended to read as follows:

[Aus] Illustration 3A: Qualified Opinion due 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 the financial report of a ~~listed~~publicly traded company and its subsidiaries (the Group). The audit is a group audit (i.e. ASA 600 applies).
- ...

90. Illustration 4 is amended to read as follows:

Example Auditor's Report

Consolidated Entity (not ~~listed~~publicly traded)

(Fair Presentation Framework)

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

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

- Audit of a financial report of an entity other than a ~~listed~~publicly traded entity, and its subsidiaries (the Group). The audit is a group audit (i.e., ASA 600 applies).
- ...

91. Illustration 5 is amended to read as follows:

Example Auditor's Report

Single Entity (not ~~listed~~publicly traded)

(Fair Presentation Framework)

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

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

- Audit of a financial report of an entity other than a ~~listed~~publicly traded entity. The audit is not a group audit (i.e., ASA 600, does not apply).
- ...

Amendments to ASA 706

92. Existing paragraph A17 is amended to read as follows:

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.

93. Existing [Aus] Illustration 1A in Appendix 3 is amended to read as follows:

[Aus] Illustration 1A:

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

- Audit of a single ~~listed~~publicly traded company’s financial report using a fair presentation framework. The audit is not a group audit (i.e., ASA 600* does not apply).
- ...

94. Existing [Aus] Illustration 2A in Appendix 4 is amended to read as follows:

Example Auditor’s Report

Single Entity (not ~~listed~~publicly traded)

(Fair Presentation Framework)

[Aus] Illustration 2A

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

- Audit of a financial report of an entity other than a ~~listed~~publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

Amendments to ASA 710

Amendments to ASA 710 Appendix 1: Illustration 1, [Aus] Illustration 1A, Illustration 2, [Aus] Illustration 2A, Illustration 3 and Illustration 4

95. Existing Illustration 1 is amended to read as follows:

Illustration 1 - Corresponding Figures (Ref: Para. A5)

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

- Audit of the financial report of an entity other than a ~~listed~~publicly traded entity. The audit is not a group audit (i.e., ASA 600¹⁰ does not apply).
- ...

96. Existing [Aus] Illustration 1A is amended to read as follows:

[Aus] Illustration 1A - Corresponding Figures (Ref: Para. A5)

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600¹⁶ does not apply).
- ...

97. Existing Illustration 2 is amended to read as follows:

Illustration 2 – Corresponding Figures (Ref: Para. A5)

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

- Audit of the financial report of an entity other than a ~~listed~~publicly traded entity. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

98. Existing [Aus] Illustration 2A is amended to read as follows:

[Aus] Illustration 2A – Corresponding Figures (Ref: Para. A5)

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600²¹ does not apply).
- ...

99. Existing Illustration 3 is amended to read as follows:

Illustration 3 - Corresponding Figures (Ref: Para. A7)

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

- Audit of the financial report of an entity other than a ~~listed~~publicly traded entity. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

100. Existing Illustration 4 is amended to read as follows:

Illustration 4 - Comparative Financial Reports (Ref: Para. A9)

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

- Audit of the financial report of an entity other than a ~~listed~~publicly traded entity. The audit is not a group audit (i.e., ASA 600 does not apply).

- ...

Amendments to ASA 720

101. Existing paragraph 21 is amended to read as follows:

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: (Ref: Para. Aus A52.1)

- (a) For an audit of a financial report of a ~~listed~~publicly traded entity, the auditor has obtained, or expects to obtain, the other information; or
- (b) For an audit of a financial report of an entity other than a ~~listed~~publicly traded entity, the auditor has obtained some or all of the other information. (Ref: Para. A52)

102. Existing paragraph 22 is amended to read as follows:

When the auditor's report is required to include an Other Information section in accordance with paragraph 21 of this Auditing Standard, this section shall include: (Ref: Para. A53)

- (a) ...
- (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 a financial report of a ~~listed~~publicly traded entity, other information, if any, expected to be obtained after the date of the auditor's report;
- (c) ...

103. Existing paragraph A12 is amended to read as follows:

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. Law or regulation may provide further guidance in this respect.

104. Existing paragraph A52 is amended to read as follows:

For an audit of a financial report 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 Auditing Standard. 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.

105. Existing [Aus] Appendix 3 is amended to read as follows:

Illustrations of Auditor's Reports Relating to Other Information

- Illustration 1: [Deleted by the AUASB. Refer [Aus] Illustration 1A]
- [Aus] Illustration 1A: An auditor's report of a ~~listed~~publicly traded company, 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: [Deleted by the AUASB. Refer [Aus] Illustration 2A]
- [Aus] Illustration 2A: An auditor's report of a ~~listed~~publicly traded company 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: [Deleted by the AUASB. Refer [Aus] Illustration 4A]
- [Aus] Illustration 4A: An auditor's report of a ~~listed~~publicly traded company 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: [Deleted by the AUASB. Refer [Aus] Illustration 5A]
- [Aus] Illustration 5A: An auditor's report of a ~~listed~~publicly traded company 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: [Deleted by the AUASB. Refer [Aus] Illustration 6A]
- [Aus] Illustration 6A: An auditor's report of a ~~listed~~publicly traded company 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 financial report which also affects the other information.
- Illustration 7: [Deleted by the AUASB. Refer [Aus] Illustration 7A]
- [Aus] Illustration 7A: An auditor's report of a ~~listed~~publicly traded company 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 financial report also affects the other information.

Amendments to ASA 720 Appendix 3: [Aus] Illustration 1A, [Aus] Illustration 2A, Illustration 3, [Aus] Illustration 4A, [Aus] Illustration 5A, [Aus] Illustration 6A and [Aus] Illustration 7A

106. Existing [Aus] Illustration 1A is amended to read as follows:

[Aus] Illustration 1A

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600* does not apply).
- ...

107. Existing footnote † in [Aus] Illustration 1A is amended to read as follows:

See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*. The Key Audit Matters section is required for ~~listed~~publicly traded entities only.

108. Existing [Aus] Illustration 2A is amended to read as follows:

[Aus] Illustration 2A

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

109. Existing Illustration 3 is amended to read as follows:

Illustration 3 – An auditor's report of an entity other than a ~~listed~~publicly traded company 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 the financial report of an entity other than a ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

110. Existing [Aus] Illustration 4A is amended to read as follows:

[Aus] Illustration 4A

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

111. Existing [Aus] Illustration 5A is amended to read as follows:

[Aus] Illustration 5A

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

- Audit of the financial report of a single ~~listed~~publicly traded company. The audit is not a group audit (i.e., ASA 600 does not apply).
- ...

112. Existing [Aus] Illustration 6A is amended to read as follows:

[Aus] Illustration 6A:

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

- Audit of the financial report of a ~~listed~~publicly traded company and its subsidiaries (the Group). The audit is a group audit (i.e., ASA 600 applies).
- ...

113. Existing [Aus] Illustration 7A is amended to read as follows:

[Aus] Illustration 7A

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

- Audit of the financial report of a ~~listed~~publicly traded company and its subsidiaries (the Group). The audit is a group audit (i.e., ASA 600 applies).
- ...

Amendments to ASA 800

114. Existing paragraph A16 is amended to read as follows:

ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701²¹ for audits of a general purpose financial report of ~~listed~~publicly traded entities. For audits of a special purpose financial report, ASA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial report 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 special purpose financial report, ASA 701 applies in its entirety.²²

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

Illustrations of Independent Auditor's Reports on a Special Purpose Financial Report

- Illustration 1: An auditor's report on a financial report 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 financial report 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:[Deleted by the AUASB.]
- [Aus] Illustration 4: [Deleted by the AUASB as a result of changes to the Australian Accounting Standards impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements#]
- [Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).

Amendments to ASA 800 Appendix 1: Illustration 1 and Illustration 2

116. Existing Illustration 1 is amended to read as follows:

Illustration 1: An auditor's report on a financial report 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).

...

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

...

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

...

117. Existing Illustration 2 is amended to read as follows:

Illustration 2: An auditor's report on a financial report 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).

...

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

...

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

...

Amendments to ASRE 2410

118. Existing paragraph 13 of Appendix 3 is amended to read as follows:

ASIC and the ASX have agreed that ~~listed~~publicly traded entities can satisfy the requirements of the Act by lodging the half-year financial report, the directors' report, and the auditor's review report on the financial report with the ASX. Details are provided in ASIC Regulatory Guide 28 *Relief from dual lodgement of financial reports* (July 2003) and ASIC Corporations (Electronic Lodgement of Financial Reports) Instrument 2601/181.

119. Existing example modified auditor's review reporting on a half-year financial report in Appendix 3 is amended to read as follows:

**EXAMPLE UNMODIFIED AUDITOR'S REVIEW REPORT ON A HALF-YEAR
FINANCIAL REPORT – SINGLE ~~LISTED~~PUBLICLY TRADED COMPANY –
CORPORATIONS ACT 2001**

...

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Commencement of the legislative instrument

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

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

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

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AUAS 2025-9
(October 2025)

Explanatory Statement

AUASB 2025-9 Amendments to AUASB Standards

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

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

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Reasons for Issuing AUAS 2025-9

The AUASB issues AUASB 2025-9 *Amendments to AUASB Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This **Error! Reference source not found.** makes amendments to the requirements, application and other explanatory material and appendices of the following AUASB Standards:

ASQM 1	<i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> (Issued 10 March 2021 and amended to 28 January 2025)
ASQM 2	<i>Engagement Quality Reviews</i> (Issued 10 March 2021 and amended to 28 January 2025)
ASA 200	<i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i> (Issued 27 October 2009 and amended to 5 November 2021)
ASA 210	<i>Agreeing the Terms of Audit Engagements</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 220	<i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> (Issued 10 March 2021 and amended to 27 April 2022)
ASA 260	<i>Communication With Those Charged with Governance</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 265	<i>Communicating Deficiencies in Internal Control to Those Charged with Governance and Management</i> (Issued 27 October 2009 and amended to 3 March 2020)
ASA 315	<i>Identifying and Assessing the Risks of Material Misstatement</i> (Issued 6 March 2020 and amended to 27 April 2022)
ASA 510	<i>Initial Audit Engagements-Opening Balances</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 570	<i>Going Concern</i> (Issued 14 May 2025)
ASA 600	<i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i> (Issued 13 May 2022 and amended to 16 December 2024)
ASA 700	<i>Forming an Opinion and Reporting on a Financial Report</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 701	<i>Communicating Key Audit Matters in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 27 April 2022)

ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 27 April 2022)
ASA 706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i> (Issued 1 December 2015 and amended to 15 March 2023)
ASA 710	<i>Comparative Information—Corresponding Figures and Comparative Financial Reports</i> (Issued 27 October 2009 and amended to 15 March 2023)
ASA 720	<i>The Auditor's Responsibilities Relating to Other Information</i> (Issued 1 December 2015 and amended to 28 January 2025)
ASA 800	<i>Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i> (Issued 26 July 2016 and amended to 7 September 2021)
ASRE 2410	<i>Review of a Financial Report Performed by the Independent Auditor of the Entity</i> (Issued 9 June 2020 and amended to 13 December 2022)

The amendments arise from narrow scope amendments made by the International Auditing and Assurance Standards Board (IAASB) to the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards.

Operative Date

AUAS 2025-9 Amendments to AUASB Standards is operative for financial reporting periods commencing on or after 15 December 2026.

Process of making Australian Auditing Standards

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

- have a clear public interest focus and are of the highest quality;
- use the ISAs of the IAASB as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Error! Reference source not found.

The AUASB has consulted publicly as part of its due process in developing the **Error! Reference source not found.** An AUASB Consultation Paper wrap-around *Exposure of 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 was issued on 5 February 2024 for a 50-day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the **Error! Reference source not found.**

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of AUASB 2025-9 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to this standard.

Exemption from Sunsetting

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

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

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

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

Legislative Instrument: **AUASB 2025-9 Amendments to AUASB Standards**

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

Overview of the Legislative Instrument

Background

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

Main Features

This Standard makes amendments to the requirements, application and other explanatory material and appendices of the AUASB Standards. The amendments arise from narrow scope amendments made by the IAASB 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.

Human Rights Implications

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

Conclusion

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

October 2025

Basis for Conclusions

AUASB 2025-9 *Amendments to AUASB Standards*

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

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

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ISSN 2201-3628

Basis for Conclusions AUASB 2025-9 *Amendments to AUASB Standards* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the standards by the AUASB. The Basis for Conclusions relates to, but does not form part of, AUASB 2025-9.

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

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BASIS FOR CONCLUSIONS

AUASB 2025-9 Amendments to AUASB Standards

Background

1. In accordance with its mandate under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), unless there is a compelling reason not to do so. In addition, the AUASB is required to make such amendments to the ISAs to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Further amendments are made where there are compelling reasons to do so and are made with a public interest focus.
2. The AUASB issued AUASB 2025-9 to amend Australian Standards on Quality Management (ASQMs) and Auditing Standards (ASAs), as a result of the revisions to the definitions of listed entity and public interest entity in the Accounting Professional & Ethical Standards Board Limited to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code is based on the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code).
3. In January 2024, the International Auditing and Assurance Standards Board (IAASB) issued an exposure draft proposing to amend the International Standards on Quality Management (ISQMs) and International Standards on Auditing (ISAs) as a result of the revisions to the definitions of listed entity and public interest entity in the IESBA Code (PIE Track 2). The purpose of these amendments is to:
 - Align to the greatest extent possible the definitions and key concepts underlying the definitions in the ISQMs and ISAs related to listed entities and PIEs to the IESBA's definitions and key concepts in the revisions to the IESBA Code.
 - Establish an objective and guidelines to support the IAASB's judgments regarding specific matters for which differential requirements for certain entities are appropriate.
 - Extend the applicability of existing differential requirements for listed entities in the ISQMs and ISAs to meet heightened expectations of stakeholders regarding the performance of audit engagements for public interest entities.
4. The AUASB issued a 'wrap-around' [Consultation Paper](#) on the IAASB's then proposed amendments to the ISQMs and ISAs on 5 February 2024.
5. The comment period closed on 25 March 2024. The AUASB received written comment letters from:
 - [Pitcher Partners](#)
 - [CPA Australia](#)
6. The AUASB considered all submissions received and provided a [written submission to the IAASB](#) in April 2024.
7. 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.

8. The [IAASB Consultation Paper Invitation to Comment on Public Interest Entity \(PIE\) Track 2](#) was issued for a 45-day comment period. The AUASB decided at its February 2025 meeting not to make a submission to the IAASB on the IAASB Consultation Paper.
9. Further details regarding the development of PIE Track 2 and how the IAASB addressed feedback on their exposure draft can be found in the [Basis for Conclusions](#) on the IAASB's website.

Substantive Comments raised by Australian Respondents on Exposure

10. The AUASB received feedback from Pitcher Partners and CPA Australia. Having regard to feedback received, the AUASB's [written submission](#) to the IAASB supported the adoption of the definitions of PIE and "publicly traded entity" and extending the extant differential requirements for engagement quality reviews from listed to PIEs but did not support extending the extant differential requirements for communicating key audit matters.

Compelling reasons assessment

11. The adoption of international standards and any changes to adopted standards are governed by the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy). The policies and procedures incorporate "compelling reasons" tests which must be met to support changes to the international standards. Changes are made only when the AUASB is satisfied that there are persuasive reasons to do so. Further to paragraph 1 of this Basis of Conclusions document, compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
12. The AUASB has adopted the categories of public interest entity identified in the Code.

Early Adoption

13. Because of the potential confusion for users if auditors' reports for the same or similar periods within the marketplace lack consistency, the AUASB believes that if early adoption is contemplated the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects should preferably be early adopted as a package, rather than on a piecemeal basis.

Conclusion

14. The AUASB voted to approve and issue AUASB 2025-9 on 14 October 2025 and it is operative for financial reporting periods commencing on or after 15 December 2026.
15. In reaching its conclusions the AUASB considered:
 - (a) all stakeholder feedback;
 - (b) the IAASB's due process and consideration as to whether PIE Track 2 should be re-exposed; and
 - (c) whether the amendments made by the IAASB since exposure were in response to submissions from stakeholders on the exposure draft, have not changed the fundamental approach and principles on which the standard is based, and did not require the re-expose of the standard.

* * *

Revised May-October 2025

Basis for Conclusions ***ASA 570 Going Concern and ASA 2025-4*** ***Amendments to Australian Auditing*** ***Standards***

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

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

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ISSN 2201-3628

Basis for Conclusions ASA 570 *Going Concern* and ASA 2025-4 *Amendments to Australian Auditing Standards* has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the standards by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASA 570 or ASA 2025-4.

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

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BASIS FOR CONCLUSIONS

ASA 570 Going Concern and ASA 2025-4 Amendments to Australian Auditing Standards

Background

1. In accordance with its mandates under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), unless there is a compelling reason not to do so. In addition, the AUASB is required to make such amendments to the ISAs to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Further amendments are made where there are compelling reasons to do so and are made with a public interest focus.
2. The AUASB has issued ASA 570. ASA 570 is consistent with ISA 570 (Revised 2024), *Going Concern*, issued by the IAASB in April 2025. Refer paragraphs 10-11 of this Basis of Conclusions document for further detail on the compelling reason amendments.
3. In March 2022, the IAASB approved a project proposal to undertake certain targeted actions to revise extant ISA 570 (Revised). The project objectives that support the public interest included enhancing or clarifying extant ISA 570 (Revised) to:
 - Promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and
 - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
4. The IAASB released an exposure draft of proposed revised ISA 570 in April 2023 and in May 2023 the AUASB exposed the IAASB exposure draft to gather feedback from Australian stakeholders to inform its submission to the IAASB. Comments letters from stakeholders are available on the AUASB website.
5. The AUASB also sought input by hosting a series of virtual roundtable meeting with stakeholders representing assurance providers from medium and large audit firms, the public sector and the professional accounting bodies across Australia.
6. The comment period closed on 14 August 2023. The AUASB received written comment letters from:
 - [Nexia Australia](#)
 - [Pitcher Partners](#)
 - [Chartered Accountants Australia and New Zealand](#)
 - [CPA Australia](#)
 - [Deloitte Touche Tohmatsu Australia](#)

- [Ernst & Young Australia](#)
- 7. The AUASB considered all submissions received and provided a [written submission to the IAASB](#) in August 2023.
- 8. The AUASB monitored the development of ISA 570 to ensure that the AUASB's issues raised were appropriately addressed. Further details regarding the development of ISA 570 and how the IAASB addressed feedback on their exposure draft can be found in the [ISA 570 Basis for Conclusions](#) on the IAASB's website.

Substantive Comments raised by Australian Respondents on Exposure

9. The AUASB received feedback from respondents on the Australian exposure of ISA 570 with the substantive comments included in the submission to the IAASB relating to:
- (a) Financial reporting requirements;
 - (b) Evaluation of management's assessment of going concern; and
 - (c) Enhanced transparency in the auditor's report.

The AUASB included these matters in its submission to the IAASB. The Appendix details substantive feedback received from Australian stakeholders and how those matters have been addressed in the final ISA 570.

Compelling reasons assessment

10. The adoption of international standards and any changes to adopted standards are governed by the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy). The policies and procedures incorporate "compelling reasons" tests which must be met to support changes to the international standards. Changes are made only when the AUASB is satisfied that there are persuasive reasons to do so. Further to paragraph 1 of this Basis of Conclusions document, compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
11. The AUASB has made the following compelling reason amendments upon adoption of ISA 570 in Australia as ASA 570:
- (a) Including a diagram of the auditor's decision-making process for going concern, extracted from the IAASB's Basis for Conclusions of the revised ISA. The AUASB decided to include an updated version of the going concern diagram in extant ASA 570 as an appendix to ASA 570. This diagram provides a useful summary for auditors on the overall application of the standard.
 - (b) Removing the optional sub-heading "No material uncertainty exists" included within the example auditor's reports as it was considered that this may lead to inconsistencies in practice and confusion in the market.
 - (c) Amending the example auditor's reports for *Corporations Act 2001* requirements..
12. The revised ASA 570 includes a reminder paragraph carried over from extant ASA 570 that the opinion by the auditor of a *Corporations Act 2001* financial report covers the solvency statement made by the directors in the director's declaration that forms part of the financial report.

Early Adoption

~~12.13.~~ Because of the potential confusion for users of auditors' reports for the same or similar periods within the marketplace lack consistency, the AUASB believes that if early adoption is contemplated the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects should preferably be early adopted as a package, rather than on a piecemeal basis.

Conclusion

~~13.14.~~ The AUASB voted to approve and issue ASA 570 and ASA 2025-4 on 14 May 2025.

~~14.15.~~ In reaching its conclusions the AUASB considered:

- (a) all stakeholder feedback;
- (b) the IAASB's due process and consideration as to whether ISA 570 should be re-exposed; and
- (c) whether the amendments made to ISA 570 by the IAASB since exposure were in response to submissions from stakeholders on the exposure draft, have not changed the fundamental approach and principles on which the standard is based, and did not require the re-expose of the standard.

* * *

Appendix

How the substantive comments raised in the AUASB submission to the IAASB have been addressed in the final ISA 570

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
1	<i>Changes to IFRS accounting standards</i> The AUASB recommended that the IAASB continue to liaise with the IASB on amendments to IFRS accounting standards to cover financial report disclosures currently deriving from extant ISA 570/ASA 570.	<i>Lack of action by IASB is not an impediment to continuing the existing requirements.</i> The IAASB has encouraged the IASB to amend its standards. In the absence of change, the IAASB and AUASB sought to work within the confines of the existing accounting standards requirements.
2	<i>Evaluating management's assessment</i> 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: ○ 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.	<i>Recommendations have substantively been addressed by the IAASB.</i> 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. Paragraph 19 (the work effort paragraph around evaluating management's assessment) has been amended as follows: ○ 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. 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.

Basis for Conclusions ASA 570 Going Concern and ASA 2025-4 Amendments to Australian Auditing Standards

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
3	<i>Definition - Material Uncertainty</i> Recommended revising the definition of ‘Material Uncertainty (Related to Going Concern)’ (MURGC) by: ○ 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.	<i>These recommendations have all been addressed by the IAASB in the revised definition.</i> 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’: <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>
4	<i>Management’s plans for future action</i> The AUASB supported the requirements in relation to future action, but encouraged further application material to assist auditors on: ○ 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	<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> 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. 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.
5.1	<i>Transparency in the auditor’s report Heading</i> The heading of the section of the auditor’s report on going concern should clearly indicate where there are issues in relation to going concern to assist users of the financial statements.	<i>This recommendation has been addressed by the IAASB.</i> Example reports included in ISA 570 indicate where there is no MURGC: ○ 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’ Example reports included in ISA 570 indicate where there is a MURGC:

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
		○ a heading ‘Material Uncertainty Related to Going Concern’ (consistent with paragraph 35 of ISA 570)
5.2	<i>Explicit statement</i> 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.	<i>This matter has been addressed by the IAASB.</i> 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.
5.3	<i>Accounting Standards – disclosures</i> 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.	<i>This matter has been addressed by the IAASB.</i> 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. 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)] 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.
5.4	<i>Differential reporting</i> On balance, the proposed explicit statement about the auditor’s conclusions on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty has been identified should apply to all audits of financial statements, not just listed entities. If this requirement is not extended beyond listed entities, then the standard should explicitly encourage voluntary application.	<i>This matter has not been addressed by the IAASB.</i> <i>The comment in the AUASB submission was on an ‘on balance’ basis. The Office of the AUASB does not consider this matter to be reason enough not to adopt ISA 570 in Australia, particularly as the performance obligations of ISA 570 are for all engagements, the differential requirements are for reporting only. The Office of the AUASB also does not consider that it is necessary to make a specific Australian amendment on the basis that an auditor can always elect to disclose more within the auditor’s report than required by the Auditing Standards. Any such expansion would put a more onerous burden on Australian auditors</i>

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 570 or why not an impediment to issuing an Australian standard
		<i>compared to other jurisdictions, leading to inconsistencies with global expectations.</i> 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.
5.5	<i>Linkage with ISA 701</i> 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.	<i>This matter has been addressed by the IAASB.</i> Consequential amendments to paragraph 15 of ISA 701 clarify this position: <u>'The following are, by their nature, key audit matters: Aa matter giving rise to a modified opinion in accordance with ISA 705 (Revised), or, in accordance with ISA 570 (Revised 2024) or, a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern or when significant judgments were made by management in concluding that there is no material uncertainty.</u>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 <u>or the Going Concern</u> section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)'

Conforming Amendments to non-legislative AUASB Standards due to Narrow Scope Amendments to the ASQMs, ASAs and ASRE 2400 as a result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the APESB Code

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

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

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
ASA 805 <i>Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i>		
Paragraph 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~~ <u>publicly traded</u> entities. 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. ...	ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701 for audits of a general purpose financial report of ~~listed~~ <u>publicly traded</u> entities. For audits of a single financial statement or a specific element of a financial statement, ASA 701 only applies when communication of key audit matters in the auditor's report on such financial report 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, ASA 701 applies in its entirety. ...
Appendix 2	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 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	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 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: [Deleted by the AUASB. Refer [Aus] Illustration 3A. [Aus] Illustration 3A: An auditor's report on a specific element of a financial statement of an entity other than a ~~listed~~ <u>publicly traded</u> entity prepared in

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	framework (for purposes of this illustration, a compliance framework). ...	accordance with a special purpose framework (for purposes of this illustration, a compliance framework). ...
Appendix 2 Illustration 1	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. ... Auditor's Responsibilities for the Audit of the Financial Statements ... 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. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u> ...	Illustration 1: For purposes of this illustrative auditor's report, the following circumstances are assumed: • Audit of a statement of financial position (that is, a single financial statement) of an entity other than a ~~listed publicly traded~~ entity. The single financial statement is <i>not</i> prepared under the <i>Corporations Act 2001</i>. • ... Auditor's Responsibilities for the Audit of the Financial Statement ... As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism 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. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u> ...
Appendix 2 Illustration 2	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. ... Auditor's Responsibilities for the Audit of the Financial Statements ...	Illustration 2: 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. The single financial statement is <i>not</i> prepared under the <i>Corporations Act 2001</i>. • ... Auditor's Responsibilities for the Audit of the Financial Statement ... As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	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. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u> ...	professional scepticism 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. <u>We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence.</u> ...
Appendix 2 [Aus] Illustration 3A	Illustration 3: An auditor's report on a specific element of a financial statement of a ~~listed~~ <u>publicly traded</u> 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). ...	[Aus] Illustration 3A: 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) of an entity other than a ~~listed~~ <u>publicly traded</u> entity. The schedule is <i>not</i> prepared under the <i>Corporations Act 2001</i>. ...
ASA 810 Engagements to Report on Summary Financial Statements		
Appendix 1 Illustration 1	<u>Illustration 1:</u> Circumstances include the following: An unmodified opinion is expressed on the audited financial statements of a ~~listed~~ <u>publicly traded</u> entity. ...	Illustration 1: Circumstances include the following: An unmodified opinion is expressed on the audited financial report of a ~~listed~~ <u>publicly traded</u> entity. ...
ASRE 2400 Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity		
Paragraph 86	The practitioner's report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A122–A125, A146, A148) (a) ... (j) A reference to the practitioner's obligation under this ISRE to comply with relevant ethical requirements; <u>(j)A If the relevant ethical requirements require the practitioner to publicly disclose when the practitioner applied independence requirements specific to reviews of financial statements of certain</u>	The assurance practitioner's report for the review engagement shall be in writing, and shall contain the following elements: (Ref: Para. A124–A127, A148, A150) (a) ... (j) A reference to the assurance practitioner's obligation under this ASRE to comply with relevant ethical requirements; <u>(k) If the relevant ethical requirements require the assurance practitioner to publicly disclose when the assurance practitioner applied independence requirements specific to reviews of financial statements of certain entities, the</u>

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<u>entities, the practitioner's report shall include a statement that:</u> (i) <u>Identifies the jurisdiction of origin of the relevant ethical requirements or refers to the IESBA Code; and</u> (ii) <u>Indicates that the practitioner is independent of the entity in accordance with the independence requirements applicable to reviews of financial statements of those entities. (Ref. Para. A137A)</u> ...	<u>assurance practitioner's report shall include a statement that:</u> (i) <u>Identifies the jurisdiction of origin of the relevant ethical requirements or refers to the APESB Code; and</u> (ii) <u>Indicates that the assurance practitioner is independent of the entity in accordance with the independence requirements applicable to reviews of financial statements of those entities. (Ref. Para. A138)</u> ...
Paragraph A138	<u>Relevant Ethical Requirements (Ref. Para. 86(j)A(ii))</u> <u>A137A. Relevant ethical requirements may:</u> • <u>Establish independence requirements that are applicable to reviews of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial statements of public interest entities in the IESBA Code. Relevant ethical requirements may also require or encourage the practitioner to determine whether it is appropriate to apply such independence requirements to reviews of financial statements of entities other than those entities specified in the relevant ethical requirements.</u> • <u>Require the practitioner to publicly disclose when the practitioner applied independence requirements applicable to reviews of financial statements of certain entities. For example, the IESBA Code requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.¹ The following illustrates the disclosure in the practitioner's report when the IESBA Code comprises all of the relevant ethical requirements that apply to the review engagement:</u>	<u>Relevant Ethical Requirements (Ref. Para. 86(k)(ii))</u> <u>A138. Relevant ethical requirements may:</u> • <u>Establish independence requirements that are applicable to reviews of financial statements of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial statements of public interest entities in the Code. Relevant ethical requirements may also require or encourage the assurance practitioner to determine whether it is appropriate to apply such independence requirements to reviews of financial statements of entities other than those entities specified in the relevant ethical requirements.</u> • <u>Require the assurance practitioner to publicly disclose when the assurance practitioner applied independence requirements applicable to reviews of financial statements of certain entities. For example, the Code requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial statements of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.² The following illustrates the disclosure in the practitioner's report when the Code comprises all of the relevant ethical requirements that apply to the review engagement:</u> <u>We are independent of the Company in accordance with the Accounting</u>

¹ IESBA Code, paragraphs R400.20-R400.21

² See APESB Code paragraphs R400.20-R400.21.

Reference	Amendments made to IAASB standards	Proposed amendments to AUASB standards
	<u>We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), as applicable to reviews of financial statements of public interest entities.</u> ...	<u>Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code), as applicable to reviews of financial statements of public interest entities.</u> ...

Draft

AUASB 2025-8
(October 2025)

AUASB 2025-8
***Amendments to ASRE 2410 Review of a
Financial Report Performed by the
Independent Auditor of the Entity and
ASA 101 Preamble to AUASB Standards***

Issued by the Auditing and Assurance Standards Board

Draft



Australian Government

Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing AUASB 2025-8

The AUASB issues AUASB 2025-8 *Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This Standard makes amendments to the requirements, application and other explanatory material and appendices of the following AUASB Standard:

ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*
(Issued 9 June 2020 and amended to 13 December 2022)

ASA 101 *Preamble to AUASB Standards* (Issued 28 January 2025)

The amendments arise from changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and minor amendments to define a term used throughout the AUASB Standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Standard AUASB 2025-8 *Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

D Niven
Chair - AUASB

Conformity with International Standards on Auditing

This Standard makes amendments to other standards that are consistent with changes made by the International Auditing and Assurance Standards Board to the equivalent International Standard on Auditing.

Draft

AUASB 2025-8

Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards

Application

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

Operative Date

3. This Standard is operative for financial reporting periods commencing on or after 1 July 2025.

Introduction

Scope of this Standard

4. This Standard makes amendments to *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity* and *ASA 101 Preamble to AUASB Standards*. The amendments arise from changes made by the APESB to the Code and minor amendments to define a term used throughout the AUASB Standards.

Objective

5. The objective of this Standard is to make amendments to *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity* (Issued 9 June 2020 and amended to 13 December 2022) and *ASA 101 Preamble to AUASB Standards* (Issued 28 January 2025).

Definition

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

Amendments to ASRE 2410

7. Existing subparagraph 35(c) is amended to read as follows:

Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit of the annual financial report, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

(i) _____ The statement shall identify the relevant ethical requirements applicable within Australia; and

(ii) _____ If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports 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. (Ref: Para. A45)

8. The following paragraph A45 and its heading is inserted following existing paragraph A44:

Relevant Ethical Requirements (Ref: Para. 35(c))

Relevant ethical requirements may:

- (a) Establish independence requirements that are specific to reviews of financial reports of certain entities specified in the relevant ethical requirements, such as the independence requirements for reviews of financial reports of public interest entities in the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code). Relevant ethical requirements may also require the auditor to determine whether it is appropriate to apply such independence requirements to audits of financial reports of entities other than those entities specified in the relevant ethical requirements.
 - (b) Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities. For example, the Code requires that when a firm has applied the independence requirements for public interest entities in performing a review of the financial report of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.⁹
9. Existing Example Unmodified Auditor's Review Report on a Half-Year Financial Report – Single Listed Company in Appendix 3 is amended to read as follows:

EXAMPLE UNMODIFIED AUDITOR'S REVIEW REPORT ON A HALF-YEAR FINANCIAL REPORT – SINGLE LISTED COMPANY – CORPORATIONS ACT 2001

...

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the ~~Accounting Professional and Ethical Standards Board's~~ APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to ~~our~~ audits of the ~~annual~~ financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

...

10. Existing Appendix 4 is amended to read as follows:

Illustrations of Auditors' Review Reports for financial reports not prepared under the Corporations Act 2001—Unmodified and Modified Conclusions

⁹ See the Code paragraphs R400.20-R400.21.

Example A – Unmodified Auditor’s Review Report (not a public interest entity) – Fair Presentation

Example B – Auditor’s Review Report with a Qualified Conclusion (Except For) for a Departure from the Applicable Financial Reporting Framework (not a public interest entity) – Fair Presentation Framework

Example C – Auditor’s Review Report with a Qualified Conclusion for a Limitation On Scope Not Imposed by Management (not a public interest entity) – Fair Presentation Framework

Example D – Auditor’s Review Report with an Adverse Conclusion for a Departure from the Applicable Financial Reporting Framework (not a public interest entity) – Fair Presentation Framework

Example E – Unmodified Auditor’s Review Report on a Financial Report (not a public interest entity) – Compliance Framework

Amendments to ASA 101

11. The following paragraph 14 is inserted following existing paragraph 13:

The term “enquire” or “enquiries” in a provision of an AUASB Standard has the same meaning as the term “inquire” or “inquiries” (as applicable) in the corresponding provision of any equivalent standard issued by the IAASB.

AUASB 2025-8
(October 2025)

Explanatory Statement

AUASB 2025-8 Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

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

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Reasons for Issuing Auditing Standard AUASB 2025-8

The AUASB issues *AUASB 2025-8 Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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

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

Main Features

This Auditing Standard makes amendments to the requirements, application and other explanatory material and appendices of the following AUASB Standards:

ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*
(Issued 9 June 2020 and amended to 13 December 2022)

ASA 101 *Preamble to AUASB Standards* (Issued 28 January 2025)

The amendments arise from changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and minor amendments to define a term used throughout the AUASB Standards.

Operative Date

AUASB 2025-8 Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards is operative for financial reporting periods commencing on or after 1 July 2025.

Process of making Australian Auditing Standards

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

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

Consultation Process prior to issuing the Auditing Standard

It is the view of the AUASB that *AUASB 2025-8* does not require public exposure as the amendments are sufficiently narrow in scope.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of AUASB 2025-8 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to this standard.

Exemption from Sunsetting

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

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

Commencement of AUASB 2025-8

The instrument was made on 14 October 2025 but is operative for financial reporting periods commencing on or after 1 July 2025. In practice, while some financial periods may be shorter than 12 months, it is unlikely that entities would have reporting periods that commenced on 1 July 2025 and ended before 14 October 2025 or the assurance work would be concluded during that period. Therefore, the retrospective commencement is not expected to disadvantage any person.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

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

Legislative Instrument: **Auditing Standard AUASB 2025-8 Amendments to ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity and ASA 101 Preamble to AUASB Standards**

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

Overview of the Legislative Instrument

Background

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

Main Features

This Standard makes amendments to the requirements, application and other explanatory material and appendices of the following AUASB Standards:

- ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (Issued 9 June 2020 and amended to 13 December 2022)
- ASA 101 *Preamble to AUASB Standards* (Issued 28 January 2025)

The amendments arise from changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and minor amendments to define a term used throughout the AUASB Standards.

Human Rights Implications

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

Conclusion

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