Going Concern

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Going Concern Task Force Chair

IAASB CAG Meeting
March 7-8, 2023
Agenda Item B.1
Report progress since the September 2022 CAG discussion
Reminder of Key Proposals in the ED

Obtain CAG views on the Exposure Draft (ED) for Proposed ISA 570 (Revised 202X), Going Concern
Project Timeline and Key Milestones

- Approval of Project Proposal: Q1 2022
- Development of ED: Q2–Q4 2022
- Approval of ED: Q1 2023
- Publish ED and seek input from stakeholders: Q2–Q3 2023

Development of final pronouncement and approval of ISA 570 (Revised 202X)

Final pronouncement expected to be completed to allow for possible alignment of the effective dates of the revised going concern and fraud standards.
Recap of Project Objectives that Support the Public Interest

A. Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern

B. 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 skepticism

C. Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements
### Key Topics Discussed with the IAASB to Date

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**Focused on the Targeted Actions of the Project Proposal**
Key Proposals in the ED

Terminology

• Definition of Material Uncertainty (Related to Going Concern) based on existing description in extant ISA 570 (Revised)
• Clarity for the phrase “may cast significant doubt”

Risk Assessment and Identification

• Changes to demonstrate the integrated nature of proposed ISA 570 (Revised 202X) and ISA 315 (Revised 2019)
• Strengthening and enhancing requirements and application material for a more robust identification of whether events or conditions exist
Key Proposals in the ED (Cont.)

Timeline Over Which the Going Concern Assessment is Made

• Change in the commencement date of the period of the auditor’s evaluation of management’s assessment to at least twelve months from the date of approval of the financial statements

• Application material for the auditor’s consideration of the appropriateness of management’s assessment period

• Enhanced requirements to consider information that becomes available after (or subsequent) to the date that management made its assessment
Key Proposals in the ED (Cont.)

Management’s Assessment of Going Concern

• Enhancements to require a more robust evaluation of management’s assessment of going concern

• Required audit procedures to evaluate the method, assumptions and data used by management to make its assessment

• Procedures on management’s revised assessment when necessary if events or conditions exist that management has not previously identified or disclosed to the auditor
Key Proposals in the ED (Cont.)

Professional Skepticism

• New requirements and application material to reinforce a more robust exercise of professional skepticism and to evaluate the risk of management bias

Information from Sources External to the Entity

• Requirements for the auditor to evaluate the intent and ability of a third or related party, including the entity’s owner-manager, to provide necessary financial support

• Emphasis on how information from sources external to the entity can be leveraged in the auditor’s work related to going concern
Key Proposals in the ED (Cont.)

Audit Techniques – Use of Technology
• Incorporating examples of automated tools and techniques and emphasis on the impact of technology on the auditor’s work related to going concern

Communication with TCWG
• Strengthened requirements and new application material building on the foundational requirements in ISA 260 (Revised)
• Enhancing timely, two-way communication with TCWG

Communication with Appropriate External Parties
• New requirement and application material leveraging on ISA 250 (Revised). Reminder of auditor’s responsibility to report to others
Transparency About Going Concern in the Auditor’s Report

• For all entities – explicit statements about Going Concern
  • That management’s use of the going concern basis of accounting is appropriate
  • No material uncertainties related to events or conditions have been identified

• For listed entities – additional information provided
  • How the auditor evaluated management’s assessment of going concern

• Guidance for when the auditor would expect disclosures in the financial statements (i.e., for “close call” situations, rather than for all circumstances when events or conditions exist)
Question 1

Representatives are asked for views on the draft ED presented in Agenda Item B.2 that will be presented to the IAASB for approval at the March 2023 meeting.
Question 2

Representatives are asked whether there are any other matters the Going Concern Task Force should consider in finalizing the exposure draft of proposed ISA 570 (Revised 202X)
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