

Agenda Item 2-A.2

REVISION OF ISA 570 (REVISED) AND THE CONFORMING AND CONSEQUENTIAL AMENDMENTS TO OTHER RELEVANT ISAs TO ENHANCE OR CLARIFY THE AUDITOR'S RESPONSIBILITIES IN THE AUDIT OF FINANCIAL STATEMENTS RELATED TO GOING CONCERN

[UPDATED PROJECT PROPOSAL VERSION DISCUSSED IN FINAL APPROVAL MARKED FROM AGENDA ITEM 2-A]

~~This project proposal was developed and approved by the International Auditing and Assurance Standards Board (IAASB). [Text subject to IAASB approval of project proposal in March 2022.](#)~~

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

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

I. Subject

1. This project proposal addresses the revision of International Standard on Auditing (ISA) 570 (Revised), *Going Concern*, and the conforming and consequential amendments to other relevant ISAs, to enhance or clarify:
 - (a) The auditor's responsibilities and work related to management's assessment of an entity's ability to continue as a going concern¹ in the audit of financial statements; and
 - (b) Transparency about the auditor's responsibilities and work related to going concern.

The standard-setting actions proposed as part of this project proposal are intended to address targeted aspects of ISA 570 (Revised), rather than a comprehensive revision of the standard (i.e., the revisions will be targeted to specific areas where enhancements or clarifications have been indicated to address the key issues identified).²

¹ Further referred to as "management's assessment of going concern."

² Further referred to as "targeted revisions."

II. Introduction

Background

2. High quality audits support the smooth functioning of capital markets, overall economic performance and financial stability. The public interest is best served when participants in the financial reporting system have confidence in audits. However, corporate failures and scandals across the globe in recent years have brought the topic of going concern to the forefront and led to stakeholder demands for enhanced transparency on going concern. ~~In addition, conditions, such as war and the global pandemic, have caused heightened risks and ongoing uncertainties further focusing attention on~~ the challenges and issues pertaining to the auditor's responsibilities and work related to management's assessment of going concern, and ~~related~~ reporting thereof, ~~have been exacerbated by the ongoing COVID-19 pandemic.~~ The Going Concern Task Force will continue to remain alert to any implications ~~of the COVID-19 pandemic with respect to the auditor's responsibilities and work related to going concern, and the related impact on any of the proposed actions for ISA 570 (Revised)~~ (see paragraph 3235).
3. As part of the IAASB's project to revise the Auditor Reporting Standards,³ revisions were made to ISA 570 ~~(Revised)~~⁴ ~~including to enhance the communications about going concern in the auditor's report. When undertaking the project, the IAASB proposed requiring auditors to provide in their auditor's reports two explicit statements relating to:~~⁵. The key enhancements made to the auditor's report in relation to going concern included the following revisions:
 - (a) ~~Addressing the~~ A description of the respective responsibilities of management and the auditor for going concern;
 - (b) ~~A separate section when a material uncertainty exists and is adequately disclosed, under the heading "Material Uncertainty Related to Going Concern"; and~~
 - (c) ~~A new requirement to evaluate the adequacy of disclosures, in view of the requirements of the applicable financial reporting framework, in situations when events or conditions were identified~~

³ The new and revised Auditor Reporting Standards were issued in January 2015, after due process approval by the PIOB, and became effective for audits of financial statements for periods ending on or after December 15, 2016. The new and revised Auditor Reporting Standards comprise: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*; ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*; ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*; ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*; ISA 570 (Revised), *Going Concern*; ISA 260 (Revised), *Communication with Those Charged with Governance*; and conforming amendments to other ISAs.

⁴ ~~The key enhancements made to the auditor's report in relation to going concern included the following revisions:~~

- ~~• A description of the respective responsibilities of management and the auditor for going concern;~~
- ~~• A separate section when a material uncertainty exists and is adequately disclosed, under the heading "Material Uncertainty Related to Going Concern"; and~~
- ~~• A new requirement to evaluate the adequacy of disclosures, in view of the requirements of the applicable financial reporting framework, in situations when events or conditions were identified that may cast significant doubt on the entity's ability to continue as a going concern but, after considering management's plans to deal with these events or conditions, management and the auditor conclude that no material uncertainty exists (i.e., "close call" situations).~~

⁵ ISA 570, *Going Concern* which was effective for audits of financial statements for periods ending before December 14, 2016.

[that may cast significant doubt on the entity's ability to continue as a going concern but, after considering management's plans to deal with these events or conditions, management and the auditor conclude that no material uncertainty exists \(i.e., "close call" situations\).](#)

4. [When undertaking the project, the IAASB proposed in the Invitation to Comment: *Improving the Auditor's Report* requiring auditors to provide in their auditor's reports two explicit statements relating to:](#)

- [The](#) appropriateness of management's use of the going concern basis of accounting; and
- Whether a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern had been identified.

As explained further in the [Basis For Conclusions: Reporting On Audited Financial Statements – New and Revised Auditor Reporting Standards and Related Conforming Amendments](#), while the requirements had been subject to extensive consultation by the IAASB, it was ultimately decided not to include them in ISA 570 (Revised).

4.5. In reaching this view, the IAASB considered stakeholder views, among other matters, that:

- Whilst support was expressed by respondents to the proposal, including three members of the Monitoring Group, for inclusion of the explicit statements about going concern in the auditor's report, many of these respondents were of the view this should only be done as part of a holistic approach to going concern⁶; and
- In many audits, going concern would likely not be an issue; therefore, respondents, including one Monitoring Group member, were in favour of some form of reporting only when an issue related to going concern had been identified (i.e., exception-based reporting).⁷

5.6. While the PIOB recognized that the suite of enhanced Auditor Reporting Standards was a critical development in auditing globally, and their timely and proper application would provide important public interest benefits, the PIOB expressed its disappointment ~~to the IAASB~~ over the final outcome regarding going concern. The PIOB noted that it would be in the public interest for the auditor's report to include the two explicit statements. The PIOB encouraged the IAASB to further liaise with the International Accounting Standards Board (IASB) to work together to ensure that a holistic approach is taken to going concern that meets the expectations of stakeholders and the general public.⁸

6.7. Since 2015, some IAASB's stakeholders, in addition to the PIOB, have continued to encourage the IAASB to consider further enhancements and clarifications to the IAASB's auditing standard on going concern. There are also various initiatives underway globally to consider what more can be done by auditors as it relates to going concern, further highlighting the broader public interest in this topic (as explained further in paragraph [3437](#)).

⁶ The holistic approach envisaged liaison and coordination with the various accounting standard-setting bodies (including the International Accounting Standards Board (IASB)) and other auditing standard-setting bodies to facilitate consistency in their respective going concern standards as it relates to framework, concepts and definitions.

⁷ [See Basis For Conclusions: Reporting On Audited Financial Statements – New and Revised Auditor Reporting Standards and Related Conforming Amendments, paragraph 88.](#)

⁸ See [PIOB's 10th Public Report – 2014](#).

7-8. In addition, from 2019-2021, the IAASB undertook a post-implementation review (PIR) of the new and revised Auditor Reporting Standards to help the IAASB understand whether the revisions made are being consistently understood and implemented, and to help inform considerations of any further possible actions.⁹ The IAASB has incorporated the feedback from the PIR to supplement its information gathering and research activities relating to going concern.

Information Gathering Activities on Going Concern and Development of the Project Proposal

8-9. As described in the IAASB's [Strategy for 2020-2023](#), the IAASB is focused on prioritizing emerging public interest challenges and, as such, commenced information-gathering activities on going concern in an audit of financial statements in early 2020, together with information gathering activities related to fraud (while different issues needed to be addressed in relation to fraud, some of the information gathering activities targeted common stakeholders and therefore the work was undertaken simultaneously).

9-10. The objective of the information gathering and research activities on going concern was to ~~further consider the additional~~[obtain feedback on whether more](#) information ~~that~~ could be communicated by the auditor [to those charged with governance \(TCWG\) and in the auditor's report](#), and the issues and challenges in applying ISA 570 (Revised) in light of the changing environment, jurisdictional developments and changing public expectations. **Appendix A** to this project proposal describes the information-gathering and research activities performed, including the development of the Discussion Paper (DP), [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit](#), which was published in September 2020 for consultation.

⁹ The PIR included broad information-gathering and research activities, that included developing and undertaking a stakeholder survey with 148 responses from a wide range of stakeholders across 48 jurisdictions, review of relevant academic research and other literature, carrying out outreach through a virtual roundtable with various stakeholder groups and performing other supporting information-gathering and research activities. See the Auditor Reporting Implementation project [page](#).

40.11. The timeline below sets out the activities performed in progressing the information gathering and research activities on going concern and the planned milestones for this project proposal, as guided by the processes and procedures in the IAASB's [Framework for Activities](#).



41.12. At the May 2021 IAASB meeting, the IAASB discussed the responses to the DP and possible actions to address the issues that had been identified. These possible actions included one or more of the following: (a) standard setting; (b) development of non-authoritative guidance; or (c) other related activities (including action for others in the financial reporting ecosystem¹⁰). This discussion informed the development of this project proposal.

42.13. The IAASB recognizes the importance of the role of its auditing standards in the financial reporting ecosystem. Therefore, this project proposal is focused on specific standard-setting actions aimed at enabling consistent and improved auditor behavior. In addition to the targeted revisions, the IAASB anticipates that it may be necessary to make related conforming and consequential amendments to other relevant ISAs. The IAASB [may will](#) also consider other actions as necessary and as resources are available, including encouraging complementary action by other standard-setters that would address the broader public interest issues on going concern in an audit of financial statements. [\(see paragraph 40\)](#).

43.14. The IAASB also acknowledges the view of respondents to the DP that narrowing the expectation gap will involve a collaborative, multi-stakeholder solution by all participants in the financial reporting

¹⁰ The 'financial reporting ecosystem' includes those involved in the preparation, approval, audit, analysis and use of financial reports, for example, the entity and its management (i.e., preparers), Boards and audit committees, external auditors, governments, regulators, professional bodies, standard-setters, investors, analysts, lenders, and other financial statement users. Each participant of this ecosystem plays a unique and essential role that contributes towards high quality financial reporting.

ecosystem. The expectation gap will not solely be narrowed through standard setting by the IAASB. As a complement to its standard-setting actions, the IAASB therefore must interact with key stakeholders to discuss and understand their concerns and expectations and take other actions as needed. The IAASB will focus on continued dialogue and engagement with others in the financial reporting ecosystem, in particular those with a direct influence on financial reporting such as the IASB.

14.15. The IAASB leveraged the Public Interest Framework (PIF) published by the Monitoring Group in July 2020 (as part of their report "[Strengthening the International Audit and Ethics Standard-Setting System](#)") in developing this project proposal to articulate the public interest responsiveness of the project. Among other things the PIF sets out the considerations essential to the judgments needed in the development of standards. Although the PIF is not yet required to be implemented by the IAASB, the Going Concern Working Group (WG) used those elements of the PIF deemed applicable and relevant to revising and developing auditing standards tailored as appropriate for the project on going concern as the basis for a restructured project proposal format, while still adhering to the due process requirements currently in place. However, as implementation of the PIF is still in the initial planning phase, there may be elements of the PIF that are relevant to standard setting that will be further developed for the IAASB's work more broadly in the future.

15.16. Throughout the duration of the project on going concern, the IAASB will benefit from the independent, direct oversight by the PIOB, and will remain transparent and adhere to the IAASB's agreed strategies, due process, and the need to be responsive to the public interest.

16.17. This project proposal describes the project objectives that support the public interest, as well as the project scope for the work that will be undertaken in the project.

III. Project Objectives that Support the Public Interest¹¹

17.18. Taking into account the stakeholders whose interests are to be served through a project on going concern in the audit of financial statements (see **Section IV**), ~~the project objectives are to enhance or clarify ISA 570 (Revised) to:~~ and giving appropriate consideration to the extent of the key issues raised by stakeholders (see **Section V**), it was determined that the project would be targeted in scope. The proposed actions (see **Section VI**) are intended to address the project objectives that support the public interest.

19. The project objectives are to enhance or clarify ISA 570 (Revised) and in doing so:

- (a) Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern;
- (b) ~~Establish a more robust~~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; and
- (c) ~~Strengthen the communication and reporting requirements~~Enhance transparency with respect to the auditor's responsibilities and work related to going concern- where appropriate, including

¹¹ See the PIF's section on "What interests need to be served?" (on page 21 of the Monitoring Group's report, "[Strengthening the International Audit and Ethics Standard-Setting System](#)").

[strengthening communications and reporting requirements.](#)

18.20. The IAASB has the view that these project objectives capture an effective response to stakeholders' needs, that have been identified in the information gathering and research process undertaken, and will contribute to the continued relevance and credibility of the ISAs in supporting quality financial reporting. It is therefore recognized that this project is focused on standard setting through targeted revisions to ISA 570 (Revised) and conforming and consequential amendments to other relevant ISAs. In addition to standard-setting, the IAASB will develop limited non-authoritative guidance (see paragraph [3639](#)), and will continue to engage with other relevant stakeholders, as appropriate (see [other actions in](#) paragraph [3740](#)).

IV. Stakeholders Impacted by a Project on Going Concern

19.21. This project will aim to serve the interests of all relevant stakeholders by addressing key issues identified by the IAASB's stakeholders related to ISA 570 (Revised).

20.22. The five broad stakeholder groups,¹² who will be impacted by a project to enhance and clarify ISA 570 (Revised) include:

- *“Users of financial statements* (“the users”) – mainly investors, lenders, and other creditors, who rely on the audited financial statements to make resource allocation decisions.
- The *profession* – all auditors and assurance providers, and other professional accountants in public practice and business who apply the standards.
- Those in charge of *adoption, implementation and enforcement* of the standards as well as monitoring of the capital markets who rely on such standards – including national standard setters, [\(NSS\)](#), regulators and audit inspectors, market authorities, public sector bodies, and professional accountancy organizations.
- *Preparers* – management and professional accountants in business, for entities of all sizes, in either the public or private sectors, as well as those charged with governance (e.g., audit committees who oversee the audit process), the latter group being relevant to addressing the information asymmetries among different parties involved in the functioning of companies, and who also provide the basis for the auditor's work.
- *Other users* – the reliability of financial and non-financial information affects a very wide range of interests in society, including consumers, taxpayers, employees, competition and prudential authorities, central banks and bodies in charge of financial stability oversight, and those granting public contracts.”

¹² These five broad stakeholder groups are explained in the PIF's section on “For whom are standards developed?” (on pages 20-21 of the Monitoring Group's report, “*Strengthening the International Audit and Ethics Standard-Setting System*”).

24.23. In line with the PIF,¹³ standard setting that is in the public interest requires a process that elicits views from all stakeholders, with a focus on assessing the merits of the various stakeholder views, irrespective of whether the views are a majority or a minority. The public interest of standards cannot be ensured through a mere aggregation of all stakeholder interests, rather the public interest requires weighing and balancing all stakeholder views.

22.24. In order to address the public interest as contemplated by the PIF, and to achieve the objectives of this project proposal, the project on going concern will:

- (a) Consider all stakeholder input and identify the different stakeholder interests that affect the overall objectives that will achieve the public interest;
- (b) Appropriately weigh the input in terms of the public interest impact of the relative stakeholder interests;¹⁴ and
- (c) Appropriately balance alternative outcomes in terms of the expected responsiveness to the public interest.¹⁵

Although the PIF sets out a framework for how the public interest will be addressed, the approach to the consideration of stakeholder interests and how they are weighed is largely consistent with how stakeholder input is currently considered on IAASB projects (i.e., judgment is applied).

V. Key Issues Identified that Will be Addressed by a Project on Going Concern¹⁶

23.25. The needs of the IAASB's stakeholders, which embody the public interest for this project, have been identified and are described in this project proposal as the "key issues."

24.26. These key issues have been identified through the extensive information gathering and research activities described in **Section II** (and **Appendix A**), and have been discussed with the IAASB in 2020 and 2021. The following key issues recognize the input and views of stakeholders and the resulting call to strengthen, enhance and clarify ISA 570 (Revised):

- (a) *Risk ~~identification~~ and ~~assessment~~*
 - (i) ISA 570 (Revised) does not reflect the more robust risk identification and assessment process in ISA 315 (Revised 2019).¹⁷ A stronger link ~~is required~~ to ISA 315 (Revised 2019) ~~to~~ support timely identification of matters relating to management's assessment of going concern. ~~These matters include about~~ events and conditions that

¹³ See the PIF's sections on "For whom are standards developed?" and "How is the public interest responsiveness of a standard assessed?" (on pages 20-21 and 23-24, respectively, of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

¹⁴ This project will recognize the importance of all stakeholders but will focus on users of audited financial statements. See the PIF's section on "For whom are standards developed?" (on pages 20-21 of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

¹⁵ See the PIF's section on "How are the interests of users best served?" (on pages 21-22 of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

¹⁶ See **Appendix A, Basis for Project Proposal on Going Concern**.

¹⁷ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

may cast significant doubt on the entity's ability to continue as a going concern ~~and whether a material uncertainty exists.~~

(b) *Timeline over which the going concern assessment is made*

(i) ~~Inconsistencies~~ There was a call to consider requiring the auditor to assess the reasonableness of the period utilized by management in their going concern assessment.

~~(i)~~(ii) There are inconsistencies across financial reporting frameworks in the commencement of the twelve-month period for the going concern assessment ~~have been identified across jurisdictions. Questions have been raised as to.~~ This has resulted in reconsideration of whether the twelve-month period over which the going concern assessment is made should commence on the date of approval of the financial statements (or the date of the auditor's report) instead of the date of the financial statements. ~~There was also a call to consider requiring the auditor to assess the reasonableness of the period utilized by management in their going concern assessment.~~ Stakeholders also noted that in considering the period of assessment, the requirements of the applicable financial reporting framework need to be taken into account.

(c) *Information from sources external to the entity*

(i) ~~It is unclear, depending on the circumstances, as to when to consider using, or if it is appropriate to use, information obtained from a third party as audit evidence. These circumstances relate to the consideration as to~~ There was a call to consider when auditors may leverage information from sources external to the entity to assist them when evaluating whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern ~~and instances where written third-party intent for financial support is obtained.~~

(ii) It is unclear when it is appropriate to use information from a third-party when obtaining evidence of financial support.

(d) *Terminology*

(i) Certain terminology associated with going concern, such as "~~material uncertainty related~~ Material Uncertainty Related to going concern" (MURGC) Going Concern" and "significant doubt" is inconsistently understood and may therefore have varying interpretations. Certain stakeholders noted that some financial reporting frameworks may define these terms differently.

(e) *Audit techniques – use of technology*

(i) There is a call to ~~action for~~ consider modernizing ISA 570 (Revised) for how new and evolving technologies, and current practice, impact the auditor's work related to going concern ~~related audit procedures.~~

- (f) *Management's assessment of going concern*
- (i) ISA 570 (Revised) does not reflect the more robust concepts in ISA 540 (Revised)¹⁸ when designing and performing audit procedures related to management's assessment of going concern. Embedding some of those concepts in ISA 570 (Revised) will assist the auditor ~~to perform more robustly~~ strengthening the audit procedures related to the evaluation of management's assessment of going concern. ~~For, for~~ for example, in relation to the significant assumptions and data used in management's ~~cash-flow forecasts~~ assessment of going concern.
- (g) *Professional skepticism*
- (i) The exercise of professional skepticism needs to be reinforced, as it relates to the auditor's considerations about the appropriateness of management's use of the going concern basis of accounting, management's assessment of going concern, and maintaining professional skepticism when gathering audit evidence, challenging questioning judgments made and assumptions used, and developing conclusions.
- (h) *Transparency about the auditor's responsibilities and work related to going concern*
- (i) The communication with ~~those charged with governance (TCWG)~~ on going concern is may not be sufficiently robust ~~in the current environment~~, including that such communication does may not always occur on a timely basis throughout the audit.
- (ii) Where issues related to going concern are identified by the auditor, there is a need to clarify the auditor's responsibilities ~~are not sufficiently clear or robust with respect to for~~ additional communications with external parties, including with relevant regulatory authorities (as applicable).
- (iii) The auditor's report is may not be sufficiently transparent with respect to the auditor's responsibilities and work related to going concern.
- (iv) There is confusion about the MURGC "Material Uncertainty Related to Going Concern" section in the auditor's report and its relationship with key audit matter (KAM) and emphasis of matter (EOM) paragraphs where there are going concern issues, including with respect to "close calls".¹⁹

25.27. Stakeholders also expressed the view that the going concern requirements for management should be enhanced. In conveying these perspectives, it was recognized that such action was outside the remit of the IAASB and the respondents to the DP encouraged the IAASB to liaise with the IASB, and others as appropriate, on this topic (see paragraph 3740).²⁰ However, somesome stakeholders also cautioned the IAASB against making changes to the auditing standards that are not aligned with

¹⁸ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

¹⁹ Stakeholders also referred to the requirement in ISA 570 (Revised), paragraph 20, which addresses these "close call" situations (see also refer to footnote 4)-paragraph 3(c)).

²⁰ ISA 570 (Revised), paragraph 3, explains that the detailed requirements regarding management's responsibility to assess the entity's ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation.

requirements in the applicable financial reporting framework.

[26-28.](#) The additional clarification of specific areas of focus as noted by the stakeholders under each of the key issues described above will be addressed by the IAASB through standard setting, development of non-authoritative guidance or other actions, as outlined in the proposed actions in paragraphs [32](#), [3635](#), [39](#) and [3740](#), respectively.

VI. Scope of the Project on Going Concern

[27-29.](#) The IAASB is committed to playing its role to instill confidence in financial reporting through activities within its remit, including revising, through strengthening, enhancing and clarifying, standards as needed, developing non-authoritative guidance, as well as engagement and continued dialogue to encourage action by others in the financial reporting ecosystem who also have a role to play.

[28-30.](#) It is intended that a project by the IAASB on going concern will contribute to continued trust in the financial reporting process by serving the needs of those stakeholders described in paragraph [2022](#) above through addressing the key issues identified (as explained in paragraph [2426](#)). The table below summarizes the proposed standard setting actions which, together with the proposed non-authoritative guidance and other actions, address the key issues identified. Each of the proposed actions described in this section correspond to the key issues identified (described in **Section V** above).

[29-31.](#) The proposed actions to address the key issues identified include:

- Standard Setting – Revising, through enhancing or clarifying, ISA 570 (Revised) and the conforming and consequential amendments to other relevant ISAs.²¹
- Non-Authoritative Guidance – Developing supporting materials that are non-authoritative (i.e., outside of the ISAs).²²
- Other Actions – Engagement with others (including continued dialogue and engagement with others in the financial reporting ecosystem on issues that relate to actions that are not within or solely within the IAASB's remit).

²¹ **Standard Setting** - addresses requirements or application material in ISA 570 (Revised) (unless otherwise indicated such as the definitions or introductory paragraphs). This project proposal also recognizes that as these proposed actions are executed, the Going Concern Task Force's understanding about issues may evolve, requiring, for example, that a proposed action that was focused on application material may need to be expanded to also address a requirement(s). Proposed standard-setting actions are the focus of the project. The timeline for the development of the revisions is set out in paragraph [4245](#).

²² **Non-Authoritative Guidance** - includes non-authoritative support material as contemplated in Component IV(B) of the IAASB's [Framework for Activities](#). This is in addition to any first-time implementation support materials that would be issued after the revision of ISA 570 (Revised) and is targeted to address the relevant topic (i.e., Frequently Asked Questions (FAQs)). Proposed actions for the development of non-authoritative guidance in paragraph [3639](#) indicate a lower order of prioritization relative to the proposed standard-setting actions (which are the focus of this project), and for which the timing will be dependent on the need for such guidance and the resources available at that time to develop the material. The possible timing for the development of non-authoritative guidance is set out in paragraph [4245](#).

Standard Setting

30-32. Without pre-judging any matters that the Going Concern Task Force may bring to the IAASB for discussion in the project, the table below includes a description of the proposed actions through standard setting to address the key issues identified in **Section V** above. The proposed actions set out below to address the identified key issues are intended to provide a roadmap for the IAASB’s actions, however in developing changes, the nature or extent of the actions needed may vary as the revisions to ISA 570 (Revised) are developed.

31-33. Since the IAASB’s remit is to develop high-quality auditing standards, the focus of the project, as set out in the table below, is on standard-setting activities. However, the IAASB also recognizes the role of others in the financial reporting ecosystem and the importance of encouraging action by others too. The development of non-authoritative guidance and other actions that form part of this project proposal are explained below the table.

34. While the IAASB in its standard-setting activities endeavors to remain framework neutral,²³ the Going Concern Task Force, in addressing the proposed actions that will be further deliberated by the IAASB, will take into account international financial reporting framework²⁴ developments and requirements related to the going concern assumption.

32-35. The proposed standard-setting actions within the scope of a project to revise **SAISA** 570 (Revised) include:²⁵

Ref.	Key Issue(s) Identified	Details of Proposed Action(s)
A.	Project Objective: Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern.	<p>B. Project Objective: Establish a more robustStrengthen 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.</p> <p><i>Some of the key issues identified in paragraph 2426 (issues (a) to (g)) and the related proposed actions as presented below (proposed actions 1 to 7) are collectively closely linked and interrelated in addressing project objectives A and B.</i></p>

²³ See the [Complexity, Understandability, Scalability and Proportionality \(CUSP\) Drafting Principles and Guidelines](#) available on the project page.

²⁴ [Such as the International Financial Reporting Standards \(IFRS\) and the International Public Sector Accounting Standards \(IPSAS\).](#)

²⁵ When appropriate, some actions are drafted less definitely by using the words “consider” or “considering.” This relates to proposed actions for areas where mixed views were expressed as part of the information gathering and research activities, and which will require further consideration by the Going Concern Task Force and the Board before a definitive action can be proposed.

Ref.	Key Issue(s) Identified	Details of Proposed Action(s)
1	<i>Risk identification and assessment</i>	<p>Requirements and Application Material – Risk Identification and Assessment</p> <p><i>Enhance requirements and application material through making targeted revisions to ISA 570 (Revised) to drive the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.</i></p> <p>In doing so, more explicitly emphasizing the going concern aspects of the auditor's understanding of the entity and the entity's system of internal control (including how management undertakes the assessment of going concern) when identifying and assessing risks of material misstatement in accordance with ISA 315 (Revised 2019).</p>
2	<i>Timeline over which the going concern assessment is made</i>	<p>Requirements <u>and/or</u> Application Material – Timeline for Assessment</p> <p><i>Consider enhancing the requirements or application material to:</i></p> <ul style="list-style-type: none"> • <i><u>Evaluate the reasonableness of management's assessment period based on conditions specific to the entity's facts and circumstances, including subsequent events.</u></i> • <i>Extend the timeline for the assessment period to at least twelve months from the date of approval of the financial statements, or the date the auditor's report is signed.</i> <p>In doing so, consider applicable financial reporting framework requirements that address the timeline for assessment.</p> <p><i><u>Enable the auditor to challenge the reasonableness of management's assessment period based on conditions specific to the entity's facts and circumstances.</u></i></p>
3	<i>Information from sources external to the entity</i>	<p>Requirements <u>and/or</u> Application Material – Information from Sources External to the Entity</p> <ul style="list-style-type: none"> • <i>Enhance application material to emphasize consideration of <u>readily available</u> information from <u>a third party sources external to the entity</u> (e.g., media releases, industry outlooks) when <u>considering/evaluating</u> whether events or conditions exist that may cast significant doubt on the entity's ability to continue as</i>

Ref.	Key Issue(s) Identified	Details of Proposed Action(s)
		<p>a going concern.</p> <ul style="list-style-type: none"> Enhance requirements or application material to clarify the considerations, <u>including the intent and ability</u>, related to when written evidence of third-party intent to provide financial support is obtained, <u>from a third-party, and</u> for whether and in what circumstances this constitutes sufficient appropriate audit evidence.
4	Terminology	<p>Definitions and Application Material – <u>MURGC"Material Uncertainty Related to Going Concern"</u> and Other Terminology in ISA 570 (Revised)</p> <p>Consider if it is necessary to describe or define <u>MURGC"Material Uncertainty Related to Going Concern"</u> and enhance application material to clarify key concepts such as "significant doubt," and other related terminology.</p> <p>In doing so, consider:</p> <ul style="list-style-type: none"> The importance of alignment between definitions and descriptions set out in financial reporting frameworks and the auditing standards. How <u>national standard-settersNSS</u> have addressed this issue at jurisdictional levels.
5	Audit techniques – use of technology	<p>Application Material – Technology</p> <p>Enhance application material in ISA 570 (Revised) to reflect the auditor's use of technology to perform <u>the auditor's work related to going concern</u>-related audit procedures.</p> <p>In doing so, remaining mindful of maintaining a balance of not 'dating' the standard by referring to technologies that may change and evolve, including consulting with a technology expert(s) or the Technology Consultation Group, as needed.</p>

Ref.	Key Issue(s) Identified	Details of Proposed Action(s)
6	Management's assessment of going concern	<p>Requirements and Application Material – Management's Assessment of Going Concern</p> <p><i>Enhance requirements and application material to require a more robust evaluation of management's assessment of going concern, to enhance the rigor around strengthen the auditor's evaluation of management's assessment of going concern especially the auditor's work related to testing of evaluations of management's cash flow forecasts, significant assumptions and data used.</i></p> <p>In doing so, applying the concepts as introduced in ISA 540 (Revised) that underpin the auditor's work, such as in auditing <u>accounting estimates relation to the auditor's evaluation of management's method, assumptions and data</u>, and <u>related disclosures</u>.</p> <p><u>recognizing circumstances when specialized knowledge or skill is needed.</u></p>
7	Professional skepticism	<p>Requirements and Application Material – Professional Skepticism</p> <p><i>Emphasize the robust exercise of professional skepticism when performing procedures related to going concern, through:</i></p> <ul style="list-style-type: none"> • <i>Enhancing requirements and application material for the auditor to design and perform procedures that are not biased towards obtaining audit evidence that may be corroborative or towards excluding evidence that may be contradictory.</i> • Adding focus on management bias in the auditor's design and performance of risk assessment and further audit procedures, especially in challenging management's assessment of going concern. • <u>Enhancing requirements and application material for the auditor to evaluate whether judgments made by management in making their assessment, even if they are individually reasonable, include indicators of possible management bias.</u> • <i>Using action-oriented language in the revised standard (e.g., "challenge", "question", and "re-consider").</i> <p>In doing so, take into account how the concept of professional skepticism has been articulated <u>incorporated</u> in recently revised</p>

Ref.	Key Issue(s) Identified	Details of Proposed Action(s)
		standards (e.g., ISA 315 (Revised 2019) and ISA 540 (Revised)).
C.	Project Objective: Strengthen the communication and reporting requirements <u>Enhance transparency</u> with respect to the auditor's responsibilities and work related to going concern <u>where appropriate, including strengthening communications and reporting requirements</u> .	
8	<i>Transparency about the auditor's responsibilities and work related to going concern</i>	<p>Requirements and Application Material – Communication with TCWG</p> <p><i>Enhance the requirements and application material to strengthen required communications with TCWG throughout the audit about going concern, including encouraging more appropriate two-way communication, <u>addressing the timeliness of the communications, and emphasising the ongoing nature of communications with TCWG.</u></i></p>
9		<p>Requirements and Application Material – Communication with Appropriate External Parties</p> <p><i>Enhance the requirements and application material in ISA 570 (Revised) with respect to <u>the</u> auditor's communications with external parties, including with relevant regulatory authorities (as applicable), when issues are identified relating to going concern, including instances when no further action is taken by management or TCWG.</i></p> <p>In doing so, monitor any implementation feedback for extended communication requirements made in certain jurisdictions and consider if similar changes on a global level would be useful.</p>
10		<p>Requirements and Application Material – Transparency About Going Concern in the Auditor's Report</p> <p><i>Enhance the requirements and application material in ISA 570 (Revised), <u>where appropriate</u>, to increase transparency in the auditor's report about the auditor's responsibilities and work related to going concern.</i></p> <p>This includes considering enhancing auditor reporting for situations where:</p> <ul style="list-style-type: none"> • The auditor concludes that no material uncertainty exists, and management's use of the going concern assumption is

Ref.	Key Issue(s) Identified	Details of Proposed Action(s)
		<p>appropriate.</p> <ul style="list-style-type: none"> • Significant judgment was required to conclude that no material uncertainty related to going concern exists, after having identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (i.e., "close call" situations). • A MURGC "Material Uncertainty Related to Going Concern" paragraph is required (i.e., to expand the informational content of such paragraph in a "KAM-like" style to describe how the auditor addressed this matter in the audit).

[33.36.](#) The PIF sets out the framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. In explaining how the stakeholders' needs can be served, the PIF sets out qualitative characteristics to assess a project's responsiveness to the public interest.²⁶ Such qualitative characteristics include characteristics relevant to the judgments needed in the development of standards and those applicable to standard setting more broadly. In developing and revising principles-based requirements and application material in revising ISA 570 (Revised), the relevant qualitative characteristics described in the PIF²⁷ that will be applicable to the changes being made as the project is being progressed include:

- (a) *Scalability* (including proportionality to the standard's relative impact on different stakeholders).
- (b) *Relevance* (through recognizing and responding to emerging issues, changes in business or public practice environments, developments in accounting practices, or changes in technology).
- (c) *Comprehensiveness* (through limiting the extent to which there are exceptions to the principles set out).
- (d) *Clarity and conciseness* (to enhance understandability and minimize the likelihood of differing interpretations).
- (e) *Implementability* and ability of being *consistently applied and globally operable*.
- (f) *Enforceability* (through clearly stated responsibilities).

It is intended that these qualitative characteristics are explicitly considered as changes to ISA 570 (Revised) are proposed.

²⁶ See the PIF's section on "What qualitative characteristics should the standards exhibit?" (on pages 22-23 of the Monitoring Group's report, "*Strengthening the International Audit and Ethics Standard-Setting System*").

²⁷ The other qualitative characteristics apply more broadly, with some addressed by the matters set out in this project proposal, while others may need to be considered at the end of the project.

34.37. In considering any changes to ISA 570 (Revised), the Going Concern Task Force will consider changes that are being considered or have been made in other jurisdictions to their going concern-related standards, [and available feedback from investors and other stakeholders in these jurisdictions as to the effectiveness of such changes](#), including, for example:

- The Netherlands – In September 2021, the Royal Nederlandse Beroepsorganisatie van Accountants (NBA) published the consultation document “[Mandatory Reporting on Fraud and Continuity in the Auditor's Report](#)” and in December 2021, the Board of the NBA approved amendments to the [Dutch auditing equivalent standard of ISA 700 \(Revised\)](#) that requires reporting on fraud and going concern in the auditor's report.²⁸
- South Africa – The Independent Regulatory Board for Auditors (IRBA) published in June 2021 the consultation document “[Enhancing Disclosures in the Auditor's Reports in South Africa: Addressing the Needs of Users of Financial Statements](#).”²⁹
- The United Kingdom – In September 2019, the Financial Reporting Council (FRC) published a revised [International Standard on Auditing \(UK\) 570 Going Concern](#).³⁰
- [United States – In February 2017, the American Institute of Certified Public Accountants \(AICPA\) issued Statement on Auditing Standards \(SAS\) 132. The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern.](#)

The Going Concern Task Force will also continue to monitor global developments for any other changes that may be relevant to a project on going concern.

35.38. In revising ISA 570 (Revised), the Going Concern Task Force will follow the CUSP Drafting Principles and Guidelines³⁴ to enable the writing of standards that result in the consistent and effective application of the ISAs. The Going Concern Task Force will endeavor to:

- Use clear, simple and concise language.
- Take into account scalability and proportionality in assessing the standard's public interest responsiveness.
- Consider scalability related to Less Complex Entities (LCEs) and considerations specific to public sector entities.
- Consider the need for specific documentation requirements in individual standards other than ISA 230, *Audit Documentation*.

²⁸ The approved amendments to the Dutch Auditing Standard 700, with respect to going concern, require the auditor to report in the auditor's report how the auditor has responded to events or circumstances that can give rise to reasonable doubt about the entity's ability to continue as a going concern and encourages reporting on the results of these procedures or significant observations.

²⁹ The purpose of the consultation document is to gather perspectives from stakeholders about the need and options for additional disclosures in the independent auditor's report for an audit of financial statements, including exploring the usefulness, benefits and drawbacks of such additional disclosures. Among other, the consultation includes specific questions for respondents on the audit effort related to going concern.

³⁰ The FRC press release explaining some of the key changes is available on the FRC [website](#).

³⁴ [See the Complexity, Understandability, Scalability and Proportionality \(CUSP\) project page.](#)

Non-Authoritative Guidance

36.39. The project on going concern will include developing non-authoritative guidance for the various auditor reporting requirements where confusion has been cited (e.g., [MURGC, vs. "Material Uncertainty Related to Going Concern", vs. KAM vs EOM](#)). In doing so, the Going Concern Task Force will liaise with the Auditor Reporting Consultation Group. [Also, in the course of the project, the Going Concern Task Force will consider the development of other non-authoritative guidance that may be necessary for the targeted revisions proposed, as appropriate.](#)

Other Actions

37.40. Where issues are not solely within the IAASB's remit, other actions will focus on continued dialogue and engagement [requiring efforts from with the IASB \(see paragraph 27\), and](#) others in the financial reporting ecosystem, including [other](#) accounting standard-setting bodies (e.g., [the IASB, see paragraph 25 IPSASB³²](#)), international corporate governance groups (e.g., The International Corporate Governance Network), Monitoring Group member organizations (e.g., the International Organization of Securities Commissions and Basel Committee on Banking Supervision), regulators and oversight bodies and [national standard setters: NSS](#). Through its ongoing engagement³³ with stakeholders, the IAASB will use its global voice to encourage others i.e., those who have a role to play, to act where appropriate. In addition, the Going Concern Task Force will also consider over the course of the project what aspects of the matters raised and included as part of the proposed actions, if any, may be best addressed by other educational activities.

Ongoing Activities

38.41. The project on going concern will involve coordination and collaboration with other IAASB task forces, working groups and consultation groups in addressing key issues identified that may also relate to other IAASB projects including: [the \(listed in alphabetical order\):](#)

- ~~(a) The LCE Task Force when considering examples to illustrate proportionality and scalability of the requirements (e.g., providing examples that are more relevant to LCEs).~~
- ~~(b)~~**(a)** The Audit Evidence Task Force to monitor [technology-related](#) changes made in the [ISA 500 project to revise ISA 500³⁴](#) and how this may be relevant to ISA 570 (Revised), [including when considering sources of audit evidence to support the auditor's evaluation of management's assessment of going concern.](#)
- ~~(c)~~**(a)** ~~The Technology Consultation Group to provide input and support to the Going Concern Task Force on technology-related matters.~~
- ~~(d)~~**(b)** The Auditor Reporting Consultation Group when developing standard-setting actions for transparency in the auditor's report and when developing non-authoritative guidance to provide further clarity regarding certain auditor reporting concepts and requirements where confusion

³² [The International Public Sector Accounting Standards Board](#)

³³ For example, through the IAASB's general outreach program, specific outreach activities to be undertaken as this project progresses, consultations on its work, and other opportunities for dialogue and engagement.

³⁴ [ISA 500, Audit Evidence](#)

has been cited.

- ~~(e)(c)~~ The Fraud Task Force when developing standard-setting actions, including [those actions related to the identification and assessment of risks and for](#) enhanced transparency in the auditor's report related to going concern matters.
- ~~(d)~~ IAASB-IASB Liaison Working Group to support the continued dialogue and engagement with the IASB on issues relating to the financial reporting requirements for going concern.
- ~~(e)~~ LCE Task Force when considering the appropriateness of integrating proposed revisions to ISA 570 (Revised) and the Exposure Draft, *Proposed International Standard on Auditing of Financial Statements of Less Complex Entities*. This also includes engaging with the LCE Task Force when developing examples to illustrate proportionality and scalability of the requirements (e.g., providing examples that are more relevant to LCEs).
- ~~(f)(a)~~ The Professional Skepticism Consultation Group when developing standard-setting actions related to professional skepticism.
- ~~(g)(f)~~ The Listed Entity and Public Interest Entity (PIE) Task Force when considering whether enhanced requirements may be appropriate for certain entities or in certain circumstances.
- ~~(g)~~ The Professional Skepticism Consultation Group when developing standard-setting actions related to professional skepticism.
- ~~(h)~~ Technology Consultation Group to provide input and support to the Going Concern Task Force on technology-related matters.
- ~~(h)(a)~~ IAASB-IASB Liaison Working Group to support the continued dialogue and engagement with the IASB on issues relating to the financial reporting requirements for going concern.

39.42. The project on going concern will also involve coordination and collaboration with IESBA³⁵ on the proposed changes in the project to revise ISA 570 (Revised) that may impact the work of the IESBA.

VII. Project Timeline, Project Priorities and Resources

40.43. The project will be undertaken in accordance with the Public Interest Activity Committees' Due Process and Working Procedures.³⁶

41.44. Subject to the IAASB's approval of this project proposal, the project to revise ISA 570 (Revised) will commence immediately. The priority actions within the project will be to undertake standard setting to address the key issues identified (see **Sections V and VI**). Other activities, including the development of non-authoritative guidance, will be undertaken when feasible and to the extent resources are available.

42.45. The IAASB proposes the following preliminary timetable, noting that specific project milestones and

³⁵ The International Ethics Standards Board for Accountants.

³⁶ As required by the IAASB's [Terms of Reference](#), this is the [Due Process and Working Procedures](#) as approved by the PIOB and that the IAASB must adhere to in developing its International Standards.

outputs may change as the project develops.³⁷

Targeted Timing	Action(s)	
	Standard Setting (Priority Actions)	Other
Quarter 2 2022 to Quarter 1 2023	<ul style="list-style-type: none"> Develop an exposure draft, including IAASB deliberation of issues, proposals and relevant discussion of the exposure draft. Obtain input from the IAASB CAG on the issues and proposals, including discussing the exposure draft of proposed ISA 570 (Revised)³⁸ (and conforming and consequential amendments to other relevant ISAs). Outreach with IAASB stakeholders on key issues and proposals as the exposure draft is developed. March 2023: Approval of an exposure draft by the IAASB. 	<ul style="list-style-type: none"> Ongoing monitoring of developments in different jurisdictions. Dialogue and engagement with others³⁹ in the financial reporting ecosystem as deemed necessary. Development of non-authoritative guidance, in collaboration with the Auditor Reporting Consultation Group to provide further clarity regarding certain auditor reporting concepts and requirements where confusion has been cited.
Quarter 2 to Quarter 3 2023	<ul style="list-style-type: none"> Publish exposure draft of proposed ISA 570 (Revised), with proposed conforming and consequential amendments to other relevant ISAs and an Explanatory Memorandum. Comment period⁴⁰ for exposure 	<ul style="list-style-type: none"> Ongoing monitoring of developments in different jurisdictions. Dialogue and engagement with others in the financial reporting ecosystem as

³⁷ Given that there are other standard-setting projects in the IAASB's work plan that are presently considering actions related to enhanced transparency that may also result in changes to the auditor's report, coordination would include considering the effective date(s) of different changes to the auditor's report when these projects are completed in relatively short succession.

³⁸ [Reference to "proposed ISA 570 \(Revised\)" is intended to reference the international standard on auditing that will be issued.](#)

³⁹ [Also see paragraph 40 above.](#)

⁴⁰ Under the IAASB's Due Process and Working Procedures, the exposure period for a draft international pronouncement issued by the IAASB is ordinarily 120 days, however a shorter or longer exposure period may be set when appropriate. Owing to the nature of the project being focused on addressing targeted aspects of ISA 570 (Revised), rather than a comprehensive revision of the standard, there may be an opportunity to propose a shorter exposure period of 90 days. The exposure period is determined

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Targeted Timing	Action(s)	
	Standard Setting (Priority Actions)	Other
	draft closes.	deemed necessary. •
Quarter 4 2023 to Quarter 2 2024	<ul style="list-style-type: none"> IAASB deliberation of responses to the exposure draft and resulting proposed changes to proposed ISA 570 (Revised). Obtain IAASB CAG input on consideration of the responses to the exposure draft and proposed changes to proposed ISA 570 (Revised) as a result of those responses. Outreach with IAASB stakeholders on key issues as the final pronouncement is developed. June 2024: IAASB approval of proposed ISA 570 (Revised 2024) and conforming and consequential amendments to other relevant ISAs. 	<ul style="list-style-type: none"> Ongoing monitoring of developments in different jurisdictions. Dialogue and engagement with others in the financial reporting ecosystem as deemed necessary.
Quarter 3 2024	<ul style="list-style-type: none"> PIOB approval of due process in the development of proposed ISA 570 (Revised 2024). Publication of final standard and Basis for Conclusions. 	<ul style="list-style-type: none"> Development of a general fact sheet to facilitate stakeholders' understanding of the changes introduced in proposed ISA 570 (Revised 2024).
Quarter 4 2024 to Quarter 1 2025		<ul style="list-style-type: none"> Other first-time implementation support activities as deemed necessary by the IAASB.

concurrently with the approval of the exposure draft which may in turn result in adjustments to the overall timeline for the completion of the project.

43-46. In determining the resources required for a project to revise ISA 570 (Revised), the IAASB will:

- Establish a task force responsible for the project and select task force members (comprising IAASB members or others, as appropriate, with diverse backgrounds). The selection process will also seek balance in:
 - Representation between practitioners and non-practitioners, including public members.⁴¹
 - Other representational needs, including geographic representation.
- Assign IAASB Staff to support the Going Concern Task Force that is adequate to the weight of the project and with the appropriate level of seniority and experience. Given the scope of the project proposal to revise ISA 570 (Revised), the IAASB anticipates assigning a director and a principal to the project.
- Consult with external experts or specialists in addressing targeted issues in the project proposal for which the Going Concern Task Force may need assistance in certain fields of expertise or specialization, for example, in technology.
- Allocate or coordinate resources, as needed, for the proposed other actions focusing on engagement with others, including communication activities during the course of project.
- Prioritize the project and allocate sufficient Board plenary time to deliberate significant matters that will be raised from a broad stakeholder consultation process, and finalize the revision of ISA 570 (Revised).
- Allocate sufficient time to consult with the CAG on significant issues raised during the course of the project.
- Allocate sufficient time to consult with the PIOB on its [public interest issues](#) relevant to the project.

VIII. Project Output and Impact

44-47. The expected output of the project is an approved [proposed](#) ISA 570 (Revised ~~2024~~), with enhancements and clarifications, and conforming and consequential amendments to other relevant ISAs, to achieve the objectives set out in this project proposal. In line with the PIF's qualitative characteristics used to describe the assessment of a standard's responsiveness to the public interest, the qualitative characteristics to be considered when finalizing this project include whether the revised standard (and its related conforming and consequential amendments):

- [Arels](#) consistent with the identified public interest objectives set out for the project (see paragraph [4719](#)).
- [OperateOperates](#) coherently with the overall body of ISAs.
- [AddressAddresses](#) the identified key issues (see paragraph [2426](#)).

⁴¹ A public member is an individual who satisfies the requirements of a non-practitioner and is also expected to reflect, and is seen to reflect, the wider public interest. Not all non-practitioners are therefore eligible to be public members.

- Has responded, as appropriate to differing circumstances, emerging issues, changes in business or public practice environments, developments in accounting practices, or changes in technology.
- Reflects the results of broad consultation and has balanced stakeholder priorities.
- Has been developed with sufficient clarity and conciseness to support proper intended application and minimize the likelihood of differing interpretations.
- Is capable of being implemented effectively, and consistently applied globally.

These qualitative characteristics can be explored with the IAASB's stakeholders in the exposure draft consultation (i.e., specific questions asking stakeholders about these matters will be included within the exposure draft). In addition, further input from stakeholders on these matters could form part of the post-implementation review of an approved [proposed](#) ISA 570 (Revised-2024).

[45.48.](#) The impact of the changes from this project will come through effective implementation of the revised standard and monitoring of its application (e.g., through firms' systems of quality management and external inspections, as well as with ongoing outreach with the IAASB's key stakeholders). Notwithstanding that other environmental influences may also impact auditor behavior, the effective implementation of the revised standard and monitoring efforts, it is expected that enhancing or clarifying ISA 570 (Revised) will result in:

- Improved audit quality through the consistent application of the requirements related to going concern, in particular:
 - Enhanced or clarified ~~going concern related~~ audit procedures pertaining to the identification and assessment of the risks of material misstatement and effective responses to identified risks [to address the auditor's responsibilities and work](#).
 - ~~More robust~~ [Strengthened the auditor's](#) evaluation of management's assessment of going concern.
 - Reinforced exercise of professional skepticism ~~in going concern related~~ [throughout the audit procedures](#).
 - Enhanced transparency [through communicating and reporting](#) about the auditor's responsibilities and work ~~with respect to going concern~~.
- Better meeting stakeholder expectations regarding enhanced communication and reporting with respect to going concern in an audit of financial statements, thereby enhancing confidence in audit engagements.
- Reduced inspection findings related to the auditor's responsibilities and work with respect to going concern (recognizing that inspections findings are also affected by auditors failing to comply with a standard even though the requirements of the standard are clear and robust or different inspection regimes focus on other areas and may therefore not be consistently representative of changes in inspection findings).

[46.49.](#) Upon completion of the project, the IAASB will consider whether there is a need for a post-implementation review to be undertaken, and the related timing thereof.

APPENDIX A

Basis of Project Proposal on Going Concern

1. The IAASB undertakes wide-ranging information gathering and research activities in relation to possible new topics of global relevance to identify emerging issues, changing business or public practice environments, developments in accounting and auditing practices, and changes in technology that inform the development of new and revised standards that address the needs of the IAASB's stakeholders.
2. Accordingly, this project proposal was developed on the basis of:
 - (a) Information gathering activities:
 - The IAASB undertook an academic desktop review of relevant research on going concern in an audit of financial statements.⁴²
 - The IAASB compiled feedback submitted by various stakeholders on the topic of going concern through other completed or ongoing IAASB projects, including [ISA 540 \(Revised\)](#), Auditor Reporting Standards, ISA Implementation Monitoring,⁴³ [ISA 315 \(Revised 2019\)](#), [Audits of LCEs](#), and the [Strategy for 2020–2023 and Workplan for 2020–2021](#).
 - The IAASB considered results from reviews performed in other jurisdictions covering the topic of going concern in an audit of financial statements (e.g., the [Brydon Review](#)).
 - The IAASB liaised with representatives from the [national standard-setters \(NSS\)](#)/[NSS](#) on the topic of going concern discussing initiatives that are ongoing or completed in other jurisdictions.
 - The IAASB published the DP, [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit](#), which set out the issues and challenges about the expectation gap (i.e., in general terms, the difference between what users of financial statements expect from the auditor and the audit, and the reality of what an audit is) and explored some possible actions that the IAASB could undertake to help narrow the expectation gap (without favoring or committing to any specific actions at that stage). The DP was published in September 2020 and was open for comments until early 2021.
 - The IAASB considered the key findings from the [Auditor Reporting Post-Implementation Review](#) as summarized in the [Feedback Statement](#), including the results from its

⁴² The academic desktop review included 64 reports on going concern.

⁴³ The IAASB's ISA Implementation Monitoring Project was completed in July 2013 and was undertaken to determine whether further changes were needed to the ISAs arising from the IAASB's Clarity project. Certain of the findings as part of this review were addressed as part of enhancing auditor communications when the Auditor Reporting Standards were revised. Any residual [findings](#) related to going concern have been included for consideration as part of the current initiatives on going concern.

[Stakeholder Survey](#) covering matters relevant to going concern.⁴⁴

(b) Roundtables:⁴⁵

- [Technology Roundtable](#) – On September 1, 2020, the IAASB hosted the 1st of the roundtable series on fraud and going concern, which was focused on the impact of technology advancements on fraud perpetration and detection. This event was moderated by Fiona Campbell, former IAASB Deputy Chair, and virtually attended by 52 participants, IAASB members, official and staff observers. Participants included forensic specialists, financial statement auditors, fraud audit methodology experts, third-party audit solution companies, regulators, academics, and public sector representatives.
- [Expectation Gap Roundtable](#) – On September 28, 2020, the IAASB hosted the 2nd of the roundtable series on fraud and going concern, which was focused on the “expectation gap,” or differences between public perceptions and the auditor’s responsibilities for fraud and going concern. Given the close linkage between the going concern assessment and auditor reporting, during the roundtable, a session explored the interactions of the relevant standards and whether the changes have clarified reporting when material uncertainties exist. This event was moderated by Fiona Campbell, former IAASB Deputy Chair, and virtually attended by 58 participants, IAASB members, official and staff observers. Participants included investors, analysts, corporate governance experts, audit firms, academics, regulators, public sector representatives, and select others.
- [Focus of Fraud and Going Concern in Less Complex Entities](#) – On October 7, 2020, the IAASB hosted the 3rd of the roundtable series on fraud and going concern, which was focused on audits of LCEs. This event was moderated by Kai Morten Hagen, IAASB Member and then LCE Working Group Chair, and virtually attended by 44 participants, IAASB members, official and staff observers. Participants included auditors, audit methodology experts, and representatives of third-party audit solution companies and professional accountancy bodies.

(c) Other targeted outreach as set out below:

Outreach Group	Date Held	Details
Canadian Public Accountability Board (CPAB)	October 2, 2020	CPAB provided an update on their work on going concern. In 2019, they gathered information and reviewed the audit files of a sample of companies to enhance their understanding of how auditors approach their work to review management’s assessment of going concern.

⁴⁴ The Auditor Reporting PIR was completed in 2021, with the Board's consideration of the final recommendations arising from the PIR at the September 2021 IAASB meeting. With regard to going concern, refer to [Agenda Item 5](#), Sections III and V.

⁴⁵ On November 2020, the IAASB published a [Summary of Key Take-aways](#), which summarizes what the IAASB heard from the roundtables with experts and leaders exploring issues and challenges related to fraud and going concern.

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Outreach Group	Date Held	Details
Forum of Firms (FoF)	October 6, 2020	IAASB Staff provided the FoF with an update regarding the information-gathering activities related to going concern and asked for broad feedback. The FoF was broadly supportive of the project and provided some additional feedback.
Center for Audit Quality (CAQ)	October 15, 2020	IAASB Staff provided the CAQ with high-level observations and take-aways from the three virtual IAASB roundtables discussed earlier in this document.
Accountancy Europe	October 29, 2020	Accountancy Europe provided the IAASB with an update on their project focused on going concern. IAASB Staff provided Accountancy Europe participants with high-level observations and take-aways from the three virtual IAASB roundtables discussed earlier in this document.
NSS	November 3, 2020	IAASB Staff provided the NSS with high-level observations and take-aways from the three virtual IAASB roundtables.
South Africa Corporate Reporting Users Forum (SA CRUF)	November 24, 2020	IAASB Staff provided the SA CRUF with high-level observations and take-aways from the virtual IAASB roundtables discussed earlier in this document. SA CRUF members provided feedback and indicated they would submit a response to the DP.
United Kingdom Corporate Reporting Users Forum (UK CRUF)	December 2, 2020	IAASB Staff provided the UK CRUF with high-level observations and take-aways from the virtual IAASB roundtables discussed earlier in this document. UK CRUF members provided feedback and indicated they would submit a response to the DP.
Accountancy Europe	March 22, 2021	IAASB Staff provided an update on the fraud and going concern initiatives, including an update of high-level themes from the DP responses. Accountancy Europe representatives provided an update on their fraud and going concern initiatives, noting their recently published publications on these topics and asked stakeholders to respond by April 30, 2021.

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Outreach Group	Date Held	Details
CAQ	March 25, 2021	IAASB Staff provided the CAQ with high-level observations related to going concern from the DP responses.
CPAB	April 23, 2021	The Going Concern WG Chair and IAASB Staff provided CPAB with high-level observations from the DP responses. CPAB provided an update regarding the planned activities for their going concern initiative in 2021.
Public Company Accounting Oversight Board (PCAOB)	April 23, 2021	The Going Concern WG Chair and IAASB Staff provided the PCAOB with high-level observations from the DP responses and discussed the PCAOB's work on going concern.
The Royal Netherlands Institute of Chartered Accountants	May 12, 2021	IAASB member and staff were provided with the background and details of an auditor reporting pilot initiative in the Netherlands for increased transparency for fraud and going concern. This initiative has concluded in standard setting which the IAASB will leverage to inform its views as the Going Concern project progresses.
IASB	July 21, 2021	Staff of the IAASB and IASB discussed various themes related to going concern that are of relevance for both IAASB and the IASB.
IASB	September 30, 2021	The IAASB Chair submitted a letter to the IASB in relation to their Request for Information, Third Agenda Consultation , published in March 2021 that highlighted matters relating to going concern of relevance for the IAASB.
NSS	November 1, 2021	Information was sought from NSS about the time period for management's going concern assessment specific to local jurisdictions.

Revision of ISA 570 (Revised) and the Conforming and Consequential Amendments to Other Relevant ISAs to Enhance or Clarify
the Auditor's Responsibilities in the Audit of Financial Statements Related to Going Concern
[Updated Project Proposal Version Discussed in Final Approval - Marked]
IAASB Main Agenda (March 2022)

Outreach Group	Date Held	Details
IASB	February 8, 2022	Staff of the IASB provided the IAASB with a Technical Update and discussed the status of going concern in relation to potential inclusion on its future work plan. The IASB noted, from the feedback received to the Third Agenda Consultation, that going concern was one of the most commonly suggested projects.⁴⁶ However, the IASB also observed that it remained committed to projects already underway, and that it was premature to identify which of the suggested projects would be added to its work plan at the date of outreach meeting. An IAASB member, and the PIOB observer, attending the meeting both reiterated support for a project on going concern.

⁴⁶ [The five most commonly suggested projects included in the IASB Technical Update \(listed in alphabetical order\) are: climate related risks, cryptocurrencies and related transactions, going concern, intangible assets and statement of cash flow and related matters.](#)