

Going Concern – Feedback and Issues

Objective:

The objective of the IAASB discussion in September 2024 is to:

- (a) Provide an analysis of respondents' comments to questions from ED-570¹ that were not discussed in June 2024² and obtain the Board's input on the Going Concern Task Force's (GC TF) views and recommendations to address key themes identified from the responses for these questions.
- (b) Obtain the Board's input on the draft of proposed ISA 570 (Revised 202X), including:
 - (i) Significant changes for the matters that were discussed with the Board in June 2024, as well as off-line comments from the Board and feedback from coordination and outreach activities; and
 - (ii) Revisions to address respondents' comments on the questions described in (a) above.

Overarching Matter for IAASB Consideration:

1. The Board is asked whether they agree with the GC TF summary of respondents' feedback presented in **Part A** of this Agenda Item, and whether there are any other significant issues raised by respondents that also should be considered?

Approach to the Board Discussion:

The GC TF Chair will pause after each Section in **Part A** of this Agenda Item to receive the Board's feedback on the overarching matter included in Question 1 above. In addition, in **Parts A and B** of this Agenda Item, the Board is asked to respond to certain specific matters for the IAASB consideration.

Introduction

Background

1. At the June 2024 IAASB meeting, the GC TF presented to the Board an overview of respondents' comments to certain questions from ED-570 and the GC TF views and recommendations to address the key themes identified from the responses for those questions.³
2. The Board supported the GC TF proposals, including for those areas where there was a range of views from stakeholders in their written responses, such as for the timeline over which the going concern assessment is made and for transparency about going concern in the auditor's report. In addition, the Board provided comments for the topics discussed to be considered further in the

¹ Exposure Draft (ED-570): [Proposed International Standard on Auditing 570 \(Revised 202X\), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs](#)

² The only exception is Question 17(b) regarding the effective date of the proposed revised standard, which will be presented to the Board in December 2024.

³ See [Agenda Item 3](#) presented to the Board in June 2024.

development of proposed ISA 570 (Revised 202X). The draft June 2024 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – September 16-20, 2024* webpage.

Materials Presented

3. This paper sets out the following:

- **Part A:** Analysis of respondents' comments for the remaining questions of ED-570, except for the effective date (see paragraph 131), and the GC TF views and recommendations to address the key themes from the responses for those questions, in the following Sections:

Section	Description
I	Scalability
II	Management's Assessment of Going Concern
III	Management's Plans for Future Actions
IV	Public Sector Considerations
V	Documentation
VI	Other Matters and Translations

- **Part B:** Explanation of significant changes considered and made by the GC TF since June 2024 to the draft of proposed ISA 570 (Revised 202X).
- **Part C:** Way forward.

4. This Agenda Item includes the following appendices and other agenda items:

Appendix 1	Overview of the GC TF members and activities since June 2024
Appendix 2	Summary of NVivo reports and the related Section in Part A of this Agenda Item where the summary is presented
Appendix 3	Reconciliation of ED-570 question analysis
Agenda Item 3-A	Explanation of other changes made since June 2024 to the draft of proposed ISA 570 (Revised 202X)
Agenda Item 3-B	Draft of proposed ISA 570 (Revised 202X) (marked-up from June 2024)
Agenda Item 3-C	Draft of proposed ISA 570 (Revised 202X) (clean version)
Agenda Items 3-D.1 to 3-D.6 (Supplemental)	Word NVivo reports that include comments from respondents

**Agenda Items 3-E.1 to
3-E.6 (Supplemental)**

Excel NVivo reports that analyze the respondents' comments

Outreach Activities

International Accounting Standards Board (IASB)

5. In July 2024, the GC TF Chair and Staff met with IASB representatives to provide an update of the key changes proposed since ED-570 in response to the feedback. At the meeting, views were sought from IASB representatives for the changes to the definition of Material Uncertainty (Related to Going Concern) (see paragraph 103), and other topics of mutual relevance were discussed, such as the timeline over which the going concern assessment is made and for enhancing transparency about going concern in the auditor's report.
6. IASB representatives also explained that IAS 1⁴ is replaced with IFRS 18⁵ with effect for accounting periods beginning on or after 1 January 2027, however there are no changes for going concern. In considering the references to superseded IAS 1 in proposed ISA 570 (Revised 202X), Staff intends to follow the usual process described in the IAASB Handbook⁶ which includes that references to IASs and IFRSs are to those in effect at the date of preparing a pronouncement.

Engagement with Prudential Regulators

7. In June 2024, the GC TF Chair and Staff met with representatives of the Basel Committee on Banking Supervision (BCBS), the International Association of Insurance Supervisors (IAIS) and a member of the Stakeholder Advisory Council (SAC), to gather their further views and inputs on the enhanced requirements in ED-570 to communicate with appropriate external parties. In addition, views were sought on any specific circumstances related to reporting "close call" situations for financial institutions, such as banks and insurance providers. The GC TF has considered this feedback in addressing the changes to the draft of proposed ISA 570 (Revised 202X) in **Agenda Item 3-B** (see paragraphs 115 and 121).

Other Project Outreach

8. The GC TF Chair and members, and IAASB Staff received a presentation from the American Institute of Certified Public Accountants (AICPA) and the AICPA's Auditing Standards Board of their ongoing research initiative aimed at gathering insights from nonprofessional investors, loan officers and financial analysts relevant to enhancing transparency in the auditor's report. This included sharing findings of a controlled language experiment related to nonprofessional investors (i.e., phase 1 of the research initiative) regarding their reaction to the proposed explicit statements about going concern in the auditor's report when no material uncertainty exists. The GC TF intends to continue engaging with the AICPA's Auditing Standards Board as the findings from the next phases of the research initiative become available.

⁴ International Accounting Standard (IAS) 1 — *Presentation of Financial Statements*

⁵ International Financial Reporting Standard (IFRS) 18 — *Presentation and Disclosure in Financial Statements*

⁶ See Volume I of the *IAASB Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

Coordination

International Ethics Standards Board for Accountants (IESBA)

9. Staff of the IESBA reviewed the paragraphs of the draft of proposed ISA 570 (Revised 202X) addressing the reporting to appropriate external parties. In particular, views were sought from IESBA Staff whether the examples and references in the application material referring to the IESBA Code⁷ remain appropriate (see paragraph 118).

Fraud Task Force

10. The Chairs and Staff of the going concern and fraud projects met in July 2024. At the meeting, an update was received of respondents' feedback for ED-240⁸ pertaining to matters that may be relevant to the going concern project, including reporting fraud-related matters in the auditor's report. The outcome of the discussion included that while respondents did not raise specific going concern matters in their responses, there were stakeholder requests to consider the collective impact of the proposals to enhance transparency for fraud and going concern to the auditor's report (also see **Agenda Item 9**).

Part A: Analysis of Responses by Significant Theme and the GC TF Views and Recommendations

11. **Sections I-VI** below provide an analysis of respondents' comments for questions 3, 8-10, 16 and 17(a) in the Explanatory Memorandum (EM) accompanying ED-570, highlighting the significant themes identified from the feedback. When providing their responses, some stakeholders commented about specific themes under different questions. In presenting the analysis of the feedback, the GC TF grouped stakeholder responses for the questions analyzed that fed into each significant theme.

Section I – Scalability

Highlights from Respondents' Feedback

- Broad support for the scalability guidance and examples.
- Views that further clarity is necessary for the:
 - Required auditor's work effort when no going concern risks are identified.
 - Audit evidence required when management's process to assess going concern is less structured, or when a method, assumptions and data are less relevant to assessing going concern.
 - Specific considerations and context relevant to entities operating in the public sector.
- Suggestions to consider a differential approach given the increased work effort may:

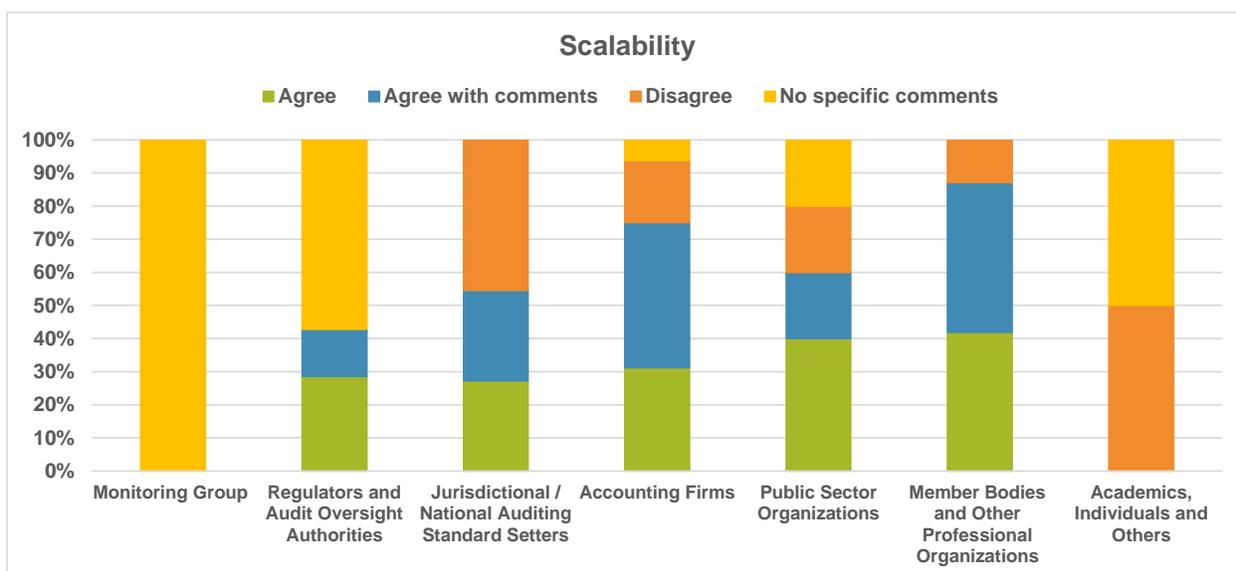
⁷ *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*

⁸ See the [Exposure Draft \(ED-240\), Proposed ISA 240 \(Revised\): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#).

- Add costs, but not value to certain audits.
- Be a proportional response only for audits of listed entities or public interest entities (PIEs).

Overview of Responses

12. Question 3 asked respondents if they believed that the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities.
13. In providing their answers for question 3, respondents commented on a broad range of topics that included matters not specific to scalability alone. For example, the responses provided under this question included views on applicability aspects, as well as views specific to the proportionate application of the standard to entities operating in the public sector.
14. The chart below shows an analysis of the responses to question 3 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-D.1 and 3-E.1** for further details).



Respondents' Comments

15. Respondents who agreed with question 3 noted the following key reasons for their support:
 - (a) The proposed standard appropriately differentiates certain 'reporting' requirements to apply only to audits of listed entities reflective of the heightened public interest for the audits of such entities. Also, the 'performance' requirements of the proposed standard appropriately apply to audits of all entities, regardless of size and complexity, given that the going concern basis of accounting is a fundamental principle in the preparation of financial statements.
 - (b) The examples and scalability considerations in the application material sufficiently illustrate how the auditor may exercise professional judgment when tailoring the audit procedures based on the nature and circumstances of the entity.
 - (c) The use of terminology such as "owner-manager" versus "those charged with governance (TCWG)"

and “smaller or less complex entities (LCEs)” versus “listed entities” clearly articulates the message that going concern risks could impact the ability of entities of all sizes and complexities to continue as a going concern (e.g., economic downturns, changes in regulations, technological disruptions, etc.).

16. Both respondents who agreed with question 3 and provided comments or had concerns, and those respondents who disagreed appreciated the scalability examples in the application material. However, respondents generally believed that improvements are necessary for the approach of ED-570 to require the auditor to evaluate management’s assessment of the entity’s ability to continue as a going concern, in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern.⁹ In their comment letters, respondents highlighted the following key matters:

Concerns with the required work effort when there are no going concern risks

- (a) Respondents perceived the required work effort to evaluate management’s assessment in all circumstances and irrespective of whether events or conditions are identified, as:
- Disproportionate and too extensive for circumstances when the entity’s ability to continue as a going concern is self-evident, such as when the entity is profitable and there are no liquidity concerns.
 - Compromising scalability as it adopts a standardized response to perform audit procedures in all cases, rather than implementing a risk-based approach proportionate to the assessed risk of material misstatement in relation to going concern.

Challenges and practical difficulties to evaluate the method, assumptions and data

- (b) Some respondents cited practical challenges and difficulties related to evaluating the method, assumptions and data used by management, such as:
- Barriers related to the quality of information that management can provide and the availability of information. For example, there may be less formalized or structured processes to evaluate the entity’s ability to continue as a going concern for certain smaller entities or LCEs.
 - Instances when a method, assumptions and data may not be relevant in assessing the entity’s ability to continue as a going concern. For example, when the assessment is based on qualitative information or factors other than solvency testing.
 - Instances when a method, assumptions and data may not be used by management in assessing the entity’s ability to continue as a going concern, given that IAS 1 is not prescriptive of the manner in which management should make its assessment.

⁹ For the purpose of this Agenda Item, management’s assessment of an entity’s ability to continue as a going concern is referred to in an abbreviated manner as “management’s assessment” or “management’s assessment of going concern.” Also, events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern are abbreviated as “events or conditions” or “events or conditions that may cast significant doubt.”

Applicability

- (c) Certain respondents were of the view that the proposed approach to evaluate management's assessment, including to evaluate the method, assumptions and data, in all circumstances and irrespective whether events or conditions have been identified is sensible for audits of listed entities and PIEs given the heightened stakeholder expectations for audits of such entities. However, views included that the approach may not yield the same benefits for audits of other entities, and in particular for smaller entities or LCEs. Comments were made that the costs would outweigh the benefits for such audits, especially when there are no events or conditions identified that may cast significant doubt. Given these considerations, respondents believed that it is appropriate to consider differentiating the work effort in relation to evaluating management's going concern assessment between listed entities and non-listed entities.

Proportionate application to entities operating in the public sector

- (d) Certain respondents commented that further consideration is needed to ensure that the requirements of ED-570 are proportionate and tailored to entities operating in the public sector. In addition, respondents believed that further guidance is necessary to support scalable application for charities or smaller public sector agencies.

GC TF Views and Recommendations

17. The GC TF discussed that there is substantial overlap in respondents' comments for scalability with matters also raised in the written responses for questions 8 and 9 of ED-570.¹⁰ Accordingly, the GC TF has considered the overlapping significant themes for scalability when providing views and recommendations for management's assessment of going concern addressed in **Section II** below. In addition, **Section IV** provides a discussion, and the GC TF views and recommendations, for the public sector considerations of the standard.
18. With respect to respondents' comments for applicability discussed in paragraph 16(c) above, the GC TF views include that pursuing a differential approach to apply for listed entities only, conflicts with the principle that going concern matters are equally relevant to all entities, irrespective of size and complexity. In addition, pursuing a differential approach for certain 'performance' requirements of the standard may be seen as inconsistent with the principle applied for the extant differential requirements in the ISAs that only differentiate aspects related to communications with TCWG and when providing transparency in the auditor's report to intended users about aspects of the audit. On this basis, the GC TF recommends not to pursue a differential approach to the 'performance' requirements of the standard.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section I** above. In addition:

2. The Board is asked for its views on the GC TF recommendation discussed in paragraph 18 above.

¹⁰ Questions 8 and 9 of ED-570 sought views from respondents on aspects related to evaluating management's assessment of going concern, including evaluating the method, assumptions and data used. See paragraphs 20-30 below for further details.

Section II – Management’s Assessment of Going Concern

Highlights from Respondents’ Feedback

- Broad recognition that the proposed approach to evaluate management’s assessment of going concern in all circumstances is a more robust approach over extant. However, views that it may be inconsistent with the concept of a risk-based audit of financial statements.
- Views that requiring audit procedures to evaluate the method, assumptions and data:
 - May not always apply or be appropriate.
 - May risk overlooking a critical event or condition or distract from the evaluation of other significant judgments.
 - Should focus on significant assumptions and judgments made by management.
- Encouragement for:
 - Additional guidance to address scalability aspects and the auditor’s work effort for circumstances when no events or conditions are identified.
 - A stronger requirement when events or conditions are identified not previously disclosed to the auditor.

Overview of Responses

19. Questions 8 and 9 sought views from respondents on aspects related to the auditor’s procedures with respect to management’s assessment of going concern. In this regard, respondents were asked whether:
- (a) They support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management’s assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt (see further analysis of responses to question 8 of ED-570 in paragraphs 20-24 below); and
 - (b) ED-570 appropriately incorporates concepts introduced from ISA 540 (Revised)¹¹ for the auditor’s evaluation of the method, assumptions and data used by management when assessing going concern (see further analysis of responses to question 9 of ED-570 in paragraphs 25-30 below).

Evaluating Management’s Assessment of Going Concern

Overview of Responses

20. The chart below shows an analysis of the responses to question 8 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-D.2 and 3-E.2** for further details).

¹¹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*



Monitoring Group Responses

21. The MG respondents supported the enhanced approach in ED-570, noting that:
- (a) It enables the auditor to robustly challenge the judgments and assumptions made by management in assessing going concern and to identify the presence of early indicators of potentially significant financial distress.
 - (b) The examples in the application material provide sufficient guidance how the evaluation of management's assessment of going concern can be carried out in a scalable way.

Other Respondents' Comments

22. Respondents who agreed with question 8 commented that the proposed approach in ED-570 to require the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances, and irrespective of whether events or conditions are identified:
- (a) Supports narrowing the expectation gap because it aligns with user expectations that the auditor performs audit procedures over management's assessment in all circumstances.
 - (b) Is a more robust approach compared to extant as it assists the auditor in challenging the assumptions and judgments on which management's going concern assessment is based and supports the auditor's conclusions for going concern based on evidence obtained through the performance of audit procedures.
 - (c) Removes the element of judgment regarding whether it is appropriate for the auditor to conclude on the going concern basis of accounting without management preparing an assessment of going concern.
 - (d) Facilitates greater public confidence in audits of financial statements of all entities and positively impacts audit quality as it promotes a proactive approach for the auditor to consider the implications of going concern even when there are no obvious signs of problems.
23. Respondents who agreed with question 8 and provided comments or had concerns noted the following key matters in their responses:

Proportional work effort to the assessed risks of going concern

- (a) Comments included that the proposed approach to require the auditor to design and perform audit procedures to evaluate management’s assessment of going concern in all circumstances may be seen as inconsistent with the concept of a risk-based audit, where the extent of work performed is commensurate to the assessed risk of material misstatement. Various suggestions for improvements were provided, including:
- Providing guidance to acknowledge that when the entity’s ability to continue as a going concern is not questionable based on the performed risk assessment, the auditor could in such circumstances fulfill the requirements of the standard in a straightforward manner.
 - Providing further scalability guidance to demonstrate how the auditor’s work effort is proportionate for entities that are in different going concern risk scenarios (e.g., when there are no risks identified relating to going concern versus when events or conditions exist and a more robust work effort would be appropriate).
 - Clarifying the requirements not to require a work effort when the going concern risk is assessed as low or to confine the extended work effort to audits of financial statements of entities where going concern is more pertinent to users, such as for PIEs or entities with external borrowings.

Scalability

- (b) Respondents emphasized that for audits of smaller entities or LCEs, when no events or conditions have been identified, there is a need for further scalability guidance to support the auditor’s work effort to satisfy the requirements in a straightforward manner. Suggestions included to enhance the scalability guidance in the application material by illustrating less or more complex circumstances, or to provide additional non-authoritative implementation material to support auditors to understand and apply the standard in a scalable manner.

Stronger work effort for events or conditions not previously identified or disclosed to the auditor

- (c) Comments included that there should be a stronger work effort required when there are events or conditions that have not been previously identified or disclosed to the auditor. Suggestions included replacing the words “determine whether it is necessary” in paragraph 25(b) of ED-570 with an explicit request for management to revise its going concern assessment to address those events or conditions.

24. Respondents who disagreed with question 8 noted similar matters as those explained in paragraph 23 above, including that the proposals:

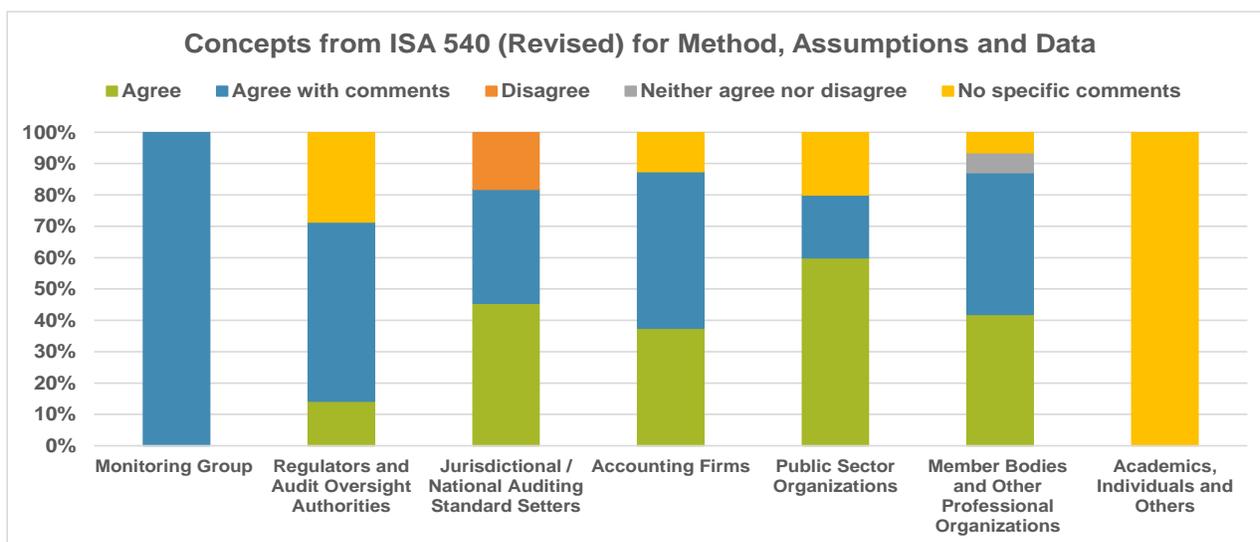
- (a) Deviate from the risk-based approach of the ISAs and require a work effort that may not be proportional to the assessed risk of going concern. Suggestions included to retain the approach of extant ISA 570 (Revised) that is conditional on whether events or conditions have been identified that may cast significant doubt.
- (b) Are onerous for certain entities, such as for smaller entities, LCEs and smaller agencies operating in the public sector, given the proposals impose additional costs that outweigh the benefits for such audits.

- (c) Indirectly impose a requirement on management to prepare a going concern assessment in all cases, whereas IAS 1 anticipates that for an entity that is assessed as a very low going concern risk, management may reach a conclusion that the going concern basis of accounting is appropriate without a detailed going concern assessment.

Concepts Introduced from ISA 540 (Revised) for Method, Assumptions and Data

Overview of Responses

- 25. The chart below shows an analysis of the responses to question 9 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-D.3 and 3-E.3** for further details).



Monitoring Group Responses

- 26. The MG respondents supported the linkages between ISA 540 (Revised) and ED-570 and commented that:
 - (a) The work effort for the method, assumptions and data should not only focus on mechanical calculations that may distract from the evaluation of other significant management judgments that are key drivers underpinning the assessment of going concern.
 - (b) Further consideration should be provided about whether other requirements from ISA 540 (Revised) are relevant to ED-570, such as performing procedures to address whether the data used by management are relevant and reliable.
 - (c) The linkages between ISA 540 (Revised) and ED-570 could be enhanced (e.g., by use of the phrase “in applying ISA 540 (Revised)”) to strengthen the connection between the standards.

Other Respondents’ Comments

- 27. Respondents who agreed with question 9 supported that relevant concepts have been incorporated from ISA 540 (Revised) into ED-570 and noted that the supporting application material is useful as it facilitates the auditor to appropriately challenge the method, assumptions and data used by management, and in doing so, to consider the risk of management bias.
- 28. Respondents who agreed with question 9 and provided comments or had concerns noted the

following key matters in their responses:

Method, assumptions and data may not always apply

- (a) Respondents commented that the requirements in paragraph 19 of ED-570 to evaluate the method, assumptions and data used by management, may not always apply or be relevant. For example, a going concern assessment may not be based on forecasts or estimates that involve application of a method, assumptions and data (e.g., events or conditions such as recurring losses and negative operating cash flows that are offset by sufficient liquidity on hand). Also, in the public sector, where the going concern assumption is premised upon the continued provision of service, a key driver in management's assessment may be government policy change, rather than an assessment of solvency or liquidity. In addition, because the applicable financial reporting framework may not be prescriptive about management's use of a method, assumptions and data, this may risk for the requirements in ED-570 to not align with the approach taken by management to assess the entity's ability to continue as a going concern.
- (b) Suggestions included:
- Relegating paragraph 19 of ED-570 to the application material.
 - Revising the requirement to be conditional on whether a method, assumptions and data were applicable or relevant.
 - Elevating the guidance in paragraph A30 of ED-570 to the requirements to acknowledge that a lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances.
 - Continue liaising with IASB to support alignment of the requirements for auditors and management in this regard.

Scalability

- (c) Respondents believed that certain improvements, as outlined below, are necessary to support scalability for the auditor's work effort to evaluate the method, assumptions and data:
- Revising the requirement in paragraph 19 of ED-570 to be conditional based on the assessed going concern risk.
 - Explicitly highlighting that when no (or limited) events or conditions exist that may cast significant doubt, the extent of the auditor's procedures to evaluate the method, assumptions and data used in management's assessment of going concern may not be extensive. Also, to provide additional guidance or non-authoritative material with examples of methods that might be appropriate in a range of different entities and circumstances, including for smaller entities or LCEs.
 - Clarify the work effort required when management has not prepared a detailed assessment, including the impact of paragraph A30 of ED-570 in such circumstances and explicitly recognizing when the auditor's work effort to evaluate the method, assumptions and data may not always be extensive.
 - Restricting the scope of the requirement in paragraph 19(b) of ED-570 to "significant" assumptions, as this would be consistent with ISA 540 (Revised) as well as that it is unduly

onerous for the auditor to have to consider and document every assumption used by management when making their going concern assessment.

Risk of overlooking a critical event or condition

- (d) Respondents cautioned that focusing on terminology such as method, assumptions and data may lead the auditor to overly focus on forecasts, sensitivity analyses or models, and overlook a critical event or condition that may cast significant doubt (e.g., breaches of key conditions in an operator’s license). Suggestions included expanding paragraph 19(b) of ED-570 to include evaluating management’s judgments, in addition to the assumptions used.
29. Respondents who disagreed with question 9 noted that extant ISA 570 (Revised) already includes adequate requirements and believed that the auditor should not be required to perform audit procedures to evaluate the method, assumptions and data used by management in all circumstances and irrespective of whether events or conditions are identified.
30. Respondents who neither agreed nor disagreed with question 9 questioned whether the approach to require evaluating the method, assumptions and data used by management appears to be overengineered for audits of smaller entities or LCEs.

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-B:</i>	<i>Para’s. 17–20, 24–25 and A21A, A29–A31, A32–A41, A46</i>
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Evaluating Management’s Assessment

31. The GC TF believes that it remains relevant to retain the approach of ED-570 to require the auditor to evaluate management’s assessment of going concern in all instances, and irrespective whether events or conditions have been identified. This is because, as explained in paragraphs 45-49 of the EM accompanying ED-570, 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. For auditors to be able to carry out robust evaluations of such assessments, challenge management’s judgments underpinned by the going concern assessment, and to transparently report with respect to the auditor’s responsibilities and work related to going concern, a strengthened auditor work effort is necessary in all circumstances and irrespective of whether events or conditions are identified.
32. In response to feedback that more emphasis is necessary on the judgments made by management, the GC TF explored whether paragraph 19(b) of ED-570 should refer not only to the assumptions of management but rather the “assumptions and judgments” on which management’s assessment is based. In doing so, the GC TF considered the explanation in paragraph A3 of ISA 540 (Revised) that assumptions involve judgments made based on available information or judgments about future events or conditions.
33. However, the GC TF did not pursue this approach given its view that the term “judgment” has a broader meaning in the context of management’s assessment of going concern and that linking it to assumptions solely may not be appropriate. For example, in addition to judgments about the future outcomes related to events or conditions, when making its assessment management will likely make judgments for matters such as the period covered by its assessment. Instead, the GC TF emphasized

in paragraph 17 of **Agenda Item 3-B** that evaluating management's assessment includes the significant judgments management made.

Method, Assumptions and Data

Scalability

34. The GC TF has added to the requirement in paragraph 19 of **Agenda Item 3-B**, that the auditor's procedures to evaluate the method, assumptions and data shall be responsive to the assessed risk in relation to going concern. The GC TF believes that this addition would help with scalability as it focuses attention that the nature and extent of the auditor's procedures in evaluating the method, assumptions and data are responsive to the outcome of the auditor's risk assessment procedures.
35. The GC TF discussed respondents' views that it would be too onerous to require the auditor to evaluate every assumption included in management's assessment and in response, consistent with the approach of ISA 540 (Revised), has revised paragraph 19(b) of **Agenda Item 3-B** to refer to "significant assumptions."
36. A reference was included to "the nature and circumstances of the entity" in paragraph A30 of **Agenda Item 3-B**. This aims to support scalable application when considering whether the lack of analysis is an indicator of a deficiency in internal control.

Method

37. In considering feedback that a method, assumptions and data may not always apply or be relevant, or that not all three elements would always be relevant, the GC TF believes that management would always need to apply an approach ('method') for assessing going concern, and that such approach would always be based on applying certain assumptions and data. However, the GC TF acknowledge that in certain circumstances the method applied may be less complex (e.g., a simple cash flow forecast) or may not always be based on quantitative information or mathematical computations. Equally, when a business is simple and affected to a lesser degree by uncertainties related to events or conditions, the assumptions applied would likely be straightforward or less complex.
38. Paragraph A2 of ISA 540 (Revised) describes a 'method' for the purposes of the standard and the description does imply the use of a computational tool or process (i.e., a mathematical model). The GC TF discussed that while this concept has been introduced from ISA 540 (Revised), clarity is necessary for what is to be understood for the use of the term 'method' in the context of proposed ISA 570 (Revised 202X). In response, the GC TF has:
 - (a) Included paragraph A33A of **Agenda Item 3-B** to explain what the term 'method' means in the context of the standard, and in doing so, repurposed the scalability guidance from paragraph A31 of **Agenda Item 3-B**.
 - (b) Revised paragraph 19(a)(ii) of **Agenda Item 3-B** to be conditional on whether calculations apply.
 - (c) Added paragraph A21A of **Agenda Item 3-B** to support the auditor's understanding whether changes (or the lack thereof) in a method, assumptions and data are appropriate, and in doing so, leveraged paragraphs A36-A37 of ISA 540 (Revised).

Assumptions and Data

39. In response to the feedback, the requirements and application material for data were enhanced (see

paragraph 19(c)(i), A36A-A37 of **Agenda Item 3-B**). Also, for assumptions, the GC TF included a new consideration in paragraph A36 of **Agenda Item 3-B** (third bullet).

Events or Conditions Not Previously Identified or Disclosed to the Auditor

40. Paragraph 25 of ED-570 sets out the auditor's obligations when events or conditions are identified that management has not previously identified or disclosed to the auditor. Also, paragraph 14 of ED-570 requires the auditor to determine whether the audit evidence obtained from risk assessment procedures indicates the existence of events or conditions not previously identified or disclosed to the auditor. The GC TF believes that these two requirements taken together are intended to support a robust work effort from the auditor for events or conditions that have not been previously identified or disclosed to the auditor.
41. Certain respondents noted that there may be a possible performance gap for the requirements, i.e., that the auditor, having complied with the requirement in paragraph 25 of ED-570, may not undertake any additional audit procedures with respect to the new events or conditions not previously identified or disclosed, other than discussing the matters with management to understand the effects on the going concern assessment. In response, the GC TF has strengthened the wording of the requirement in paragraph 25(a) of **Agenda Item 3-B** to also require the auditor to request management to evaluate the potential significance of the newly identified events or conditions on management's going concern assessment.

Period Beyond Management's Assessment

42. The GC TF has elevated the last sentence of the application material in paragraph A39 to the requirement in paragraph 20 of **Agenda Item 3-B**. This is because doing so provides clarity for the auditor's further actions when inquiries of management indicate knowledge of events or conditions beyond management's assessment, including when determining whether the period of management's assessment remains appropriate.

Other Matters

Ordering of Paragraphs

43. The GC TF considered the flow and ordering of certain requirements and application material paragraphs in the section for evaluating management's assessment. For example, consideration was given to moving paragraph 16 of **Agenda Item 3-B** (including the related application material) to follow paragraphs 17-18 of **Agenda Item 3-B**, given they set out the general requirements to perform audit procedures with respect to management's assessment. However, the GC TF decided not to pursue such ordering changes and remained of the view that the current flow of the standard remains logical and appropriate (i.e., obtaining an assessment is a prerequisite for the auditor to be able to evaluate such assessment).

Enhancing the Linkages with ISA 540 (Revised)

44. The GC TF has not pursued suggestions to enhance the linkages with ISA 540 (Revised) by using the phrase "in applying ISA 540 (Revised)." This is because ISA 540 (Revised) as a subject matter standard addressing the auditor's obligations for accounting estimates, does not apply in addition or alongside performing the requirements in ED-570 as would be the case for a foundational standard such as ISA 315

(Revised 2019).¹² Instead, the GC TF believes that the approach in ED-570 to incorporate the key concepts from ISA 540 (Revised) for method, assumptions and data, with appropriate refinements, remains appropriate and was broadly supported by respondents to ED-570 across stakeholder groups.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section II** above. In addition:

3. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-B** to address matters relevant to management's assessment of going concern.

Section III – Management's Plans for Future Actions

Highlights from Respondents' Feedback

- Broad support for the enhanced requirements and application material for evaluating management's plans for future actions.
- Suggestions for:
 - A stronger requirement to evaluate the intent of third or related parties, including the entity's owner-manager (e.g., a "commitment" for financial support) and to obtain written evidence to maintain or provide financial support.
 - Relegating management's intent to the application material given it is a highly subjective area to audit as intentions may change.
 - Providing further guidance and examples of what constitutes sufficient appropriate audit evidence when evaluating ability and intent.
 - Linking the requirements to evaluate management's plans for future actions with the audit procedures to evaluate the method, assumptions and data.

Overview of Responses

45. Question 10 asked respondents whether, as part of evaluating management's plans for future actions, they support the requirements and application material for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, and to evaluate the intent and ability of third or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support.
46. The chart below shows an analysis of the responses to question 10 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-D.4 and 3-E.4** for further details).

¹² ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*



Respondents' Comments

Monitoring Group Responses

47. The MG respondents noted their support for the enhanced requirements and application material to evaluate management's plans for future actions. Suggestions included to:
- (a) Expand the guidance in paragraph A48 of ED-570 to also include an emphasis on the need for consistency with other estimations in which management's plans for future actions is used.
 - (b) Link the requirements to evaluate the method, assumptions and data used by management to those for evaluating management's plans for future actions, given that such plans may be based on forecasts.

Other Respondents' Comments

48. Respondents who agreed with question 10 commented that the enhanced requirements and application material:
- (a) Improve consistency in practice and favorably impact audit quality, given they set out a robust framework for performing and documenting the auditor's work to obtain sufficient appropriate audit evidence in this area.
 - (b) Support the auditor's judgments when management's assumptions are based on the occurrence of future events or commitments to provide financial support to the entity.
 - (c) Are consistent with the approach taken in other recently revised standards (e.g., ISA 540 (Revised)) and align with considerations applied in the public sector when financial support is sought from other government entities.
49. Respondents who agreed with question 10 and provided comments or had concerns noted the following key matters in their responses:

Obtaining sufficient appropriate audit evidence about "intent"

- (a) Respondents supported the distinction in ED-570 between the intention of management

regarding certain future actions, and the intention of third or related parties, including the owner-manager, to maintain or provide necessary financial support, given that separate considerations are relevant when obtaining sufficient appropriate audit evidence for each circumstance.

- (b) However, respondents had a range of views how this should be approached:
- Some respondents suggested stronger requirements to be used for third or related parties, including the owner-manager (e.g., replacing the word “intent” with “commitment of financial support” to convey a stronger message given that intentions may change). Suggestions also included requiring written evidence to be obtained for such intent (e.g., a support letter or an executed contract).
 - Some respondents disagreed with evaluating management’s “intent”, given that intent is simply a desire to bring about a certain future outcome, which can easily change, and accordingly it would be onerous to require the auditor to obtain sufficient appropriate audit evidence about management’s intent.

Further guidance for evaluating ability and intent

- (c) Respondents commented that the requirements and application material to evaluate ability and intent are reflective of current best practice. However, views included that this is often a challenging area in practice to obtain sufficient appropriate audit evidence. For example, third parties may be reluctant to confirm their ability and intention in writing, intent can change depending on circumstances and is highly subjective, and the information received may not align to the going concern assessment period (e.g., a third party’s audited financial statements). Suggestions included providing additional guidance and examples, either in ED-570 or in first time implementation materials.

Other matters

- (d) Other key aspects where improvements were suggested included:
- Stating explicitly that inquiries alone (e.g., inquiries of management, TCWG or external finance providers) are insufficient to obtain sufficient appropriate audit evidence about ability and intent. In addition, emphasizing that inquiries, even if they are of external parties, are less reliable than a written confirmation.
 - Clarifying the application material addressing the existence, legality and enforceability of arrangements to maintain or provide financial support (e.g., for circumstances when commitments to provide financial support are not legally binding).
 - Recognizing that when external finance providers are reluctant to confirm in writing to an entity or their auditor that borrowing facilities will be renewed, the auditor also considers the rationale for the external finance provider refusing to confirm in writing.
 - Providing greater emphasis when plans are within or outside of the control of management and cross-referencing to ISA 540 (Revised) given that when evaluating management’s plan for future actions estimates would also likely be addressed.
 - Addressing considerations for audits of public sector entities and specific circumstances for group audits (e.g., whether a parent company would have the ability to provide financial

support concurrently to several components in challenging economic circumstances).

50. Respondents who disagreed with question 10 noted the following key matters in their responses:
- (a) The extent of the procedures required to be performed to evaluate ability and intent is unclear and will cause challenges in practice. In addition, third parties are under no obligation to provide written evidence supporting their intent.
 - (b) The proposed requirements are onerous and may exacerbate the ‘performance gap.’
 - (c) The public sector environment is not appropriately considered, given that governments may not be willing to confirm their intent and ability to maintain or provide the necessary financial support to public sector agencies.

GC TF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-B :	Para’s. 26-27 and A47–A50, A52–A54
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Aligning Paragraph 26(a) with Changes to the Definition

51. Paragraph 26(a) of ED-570 requires the auditor to evaluate whether the outcome of management’s plans for future actions *is likely to improve the situation*. The construct for the requirement was carried over from extant paragraph 16(b) of ISA 570 (Revised) and did not change substantially in ED-570.
52. The changes proposed to the definition of Material Uncertainty (Related to Going Concern) in June 2024, now include a clearer link to management’s plans for future actions, including that when such plans do not mitigate the effects of events or conditions that may cast significant doubt, then the definition implies that a material uncertainty exists.
53. The GC TF has proposed alignment changes to paragraph 26(a) of **Agenda Item 3-B** as a result of the changes to the definition. In doing so, the GC TF has proposed to retain the word *likely* in the paragraph as it appropriately reflects the future-oriented nature of the outcome of management’s plans. However, the GC TF has also added *to be sufficient* to convey a clear threshold for the auditor when forming a conclusion about whether a material uncertainty exists.

Written Commitment to Provide or Maintain Necessary Financial Support

54. The AICPA SAS 132¹³ includes a requirement for the auditor to *obtain sufficient appropriate audit evidence* when management’s plans include financial support by third parties or the entity’s owner manager (“supporting parties”) and such support is necessary for the entity to maintain its going concern status. The requirement addresses:
- (a) The intent of the supporting parties to provide the necessary financial support, including *written evidence* of such intent.
 - (b) The ability of the supporting parties to provide the necessary financial support.

In addition, essential material to the requirement explains that the failure to obtain written evidence constitutes a lack of sufficient appropriate audit evidence regarding intent and the auditor should

¹³ See the AICPA Statement on Auditing Standards (SAS) 132, [The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern](#), paragraph 17.

conclude that management’s plans are insufficient to alleviate the determination that substantial doubt exists.

55. In developing ED-570, the GC TF considered AICPA SAS 132. However, the GC TF did not pursue an approach to require written evidence about intent for the requirement in paragraph 27 of ED-570. Instead, application material was included in paragraphs A52, A54 and A86 of ED-570 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. The GC TF is of the view that this approach remains appropriate. However, in view of the feedback that the requirement in paragraph 27 of **Agenda Item 3-B** should be reinforced, the GC TF has proposed replacing *evaluate* with *obtain audit evidence*.

Obtaining Audit Evidence About Ability and Intent

56. The GC TF remains of the view that both ability and intent are relevant aspects when evaluating management’s plans for future actions. As such, the GC TF is not supportive of relegating “intent” to the application material. Doing so is inconsistent with the desire for enhancing *consistency* in practice as application material cannot override obligations stated by the requirements of the ISAs. In addition, requiring the auditor to evaluate management’s ability and intent remains aligned with requirements in other ISAs (such as in ISA 540 (Revised)) and is a concept introduced in certain jurisdictional equivalent going concern-related standards (such as AICPA SAS 132).
57. The GC TF also believe that in a principle-based standard such as ED-570, it is not possible to address all the broad range of matters where guidance was suggested or to anticipate examples for all areas where practical difficulties may arise. Instead, in response to the feedback, the GC TF has included in paragraph A48 of **Agenda Item 3-B** recognition 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 circumstances of the entity and the engagement.

Reliability of Audit Evidence Obtained Through Inquiries

58. Certain application material paragraphs have been revised not to inadvertently suggest that inquiry of management alone is sufficient to evaluate management’s plans for future actions, including in:
- (a) Paragraph A48 of **Agenda Item 3-B** (e.g., clarifying certain examples of audit procedures to highlight that evaluating the responses is necessary for inquiry).
 - (b) Paragraph A50 of **Agenda Item 3-B** (e.g., rather than relying on inquiry alone, including that the auditor may consider the external finance provider’s rationale for not providing a written confirmation and whether such rationale is specific to the circumstances of the entity).

Legality and Enforceability of Arrangements for Financial Support

59. The GC TF has removed the cross reference from paragraph A48 of **Agenda Item 3-B** (bullet eleven) to paragraphs A49-A51 of **Agenda Item 3-B**. This was in response to comments that the linkages between these paragraphs implied that an external confirmation of the *existence and terms* of borrowing facilities with external finance providers is also in all cases *legally binding and enforceable*. However, the GC TF has not pursued further changes to the paragraph (e.g., to clarify whether existence, legality and enforceability need to be considered in combination or individually) given this example remains consistent with that drawn from paragraph A16 of extant ISA 570 (Revised) (bullet six) and because this would vary based on circumstances across jurisdictions.

60. The GC TF has also added in paragraph A52 of **Agenda Item 3-B** that a written confirmation from third or related parties, including the entity's owner-manager, may include the business rationale for providing the financial support, as this was highlighted by respondents as a relevant consideration.
61. The GC TF also discussed respondents' views that there are differences in terms of the legality and enforceability of written confirmations across jurisdictions, as well as that depending on the circumstances, which could impact the reliance that the auditor is able to place on such audit evidence about intent. However, the GC TF believes that the application material continues to support consistent application based on the various circumstances that may arise in practice.

Management's Plan Based on a Forecast

62. Paragraph 16(c) of extant ISA 570 (Revised) includes a requirement to evaluate the reliability of the data and determine whether there is adequate support for the assumptions used, where the entity has prepared a cash flow forecast, and the analysis of the forecast is a significant factor in considering the future outcome of events or conditions when evaluating management's plans for future actions. This requirement was not carried over in ED-570 because the new structure and approach of the standard separated the evaluation of management's assessment (a 'gross' evaluation) from the evaluation of management's plans for future actions (a 'net' evaluation). Instead, a new requirement was introduced in paragraph 19 of ED-570 to evaluate the method, assumptions and data used.
63. The GC TF discussed that the link between the requirements to evaluate management's plans when such plans are based on a forecast (e.g., a cash flow forecast), and those in paragraph 19 of ED-570, is not explicit given they sit in different sections of the standard and the former would only apply when events or conditions have been identified. In response, the GC TF proposed a new requirement in paragraph 26A of **Agenda Item 3-B** to evaluate the significant assumptions or data included in management's plans.
64. The GC TF has also revised the wording of the example in paragraph A48 of **Agenda Item 3-B** (bullet twelve) as feedback indicated it implied that analytical procedures may be applied only when the prospective financial information is particularly significant, rather than more broadly.

Examples for Professional Skepticism

65. In response to feedback, including from a MG respondent, the GC TF has proposed to enhance the examples in paragraph A48 of **Agenda Item 3-B** (bullets three and nine) to highlight areas where the auditor's procedures to evaluate management's plans may demonstrate the exercise of professional skepticism (e.g., evaluating responses to inquiries with independent sources, and inspecting for consistency of assumptions with other areas of the business).

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section III** above. In addition:

4. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-B** to address matters relevant to management's plans for future actions.

Section IV – Public Sector Considerations

Respondent's Comments

66. There were cross cutting messages from respondents that ED-570 does not sufficiently consider the uniqueness of the public sector environment (see comment letters submitted from Public Sector Organizations¹⁴ and other respondents¹⁵ for further details). Comments included that:
- (a) Proportionate application of ED-570 in the context of the public sector needs further consideration. For example, when the risk in relation to going concern is limited by the interpretation of the requirements in the financial reporting framework (e.g., when there is a continued provision of service presumption)¹⁶ or where management's assessment of going concern is simple due to the limited risk to the entity (e.g., a public sector entity's ability to draw upon government assistance in realizing assets or settling liabilities), some of the required procedures in ED-570 may not apply or be achievable (e.g., the procedures to evaluate the method, assumptions and data).
 - (b) Scalability guidance tailored to applying ED-570 to the unique circumstances of the public sector is necessary. For example, addressing how the auditor can comply with the requirements in ED-570 in a straightforward manner when it is appropriate to do so (e.g., for smaller public sector agencies or charities).
 - (c) The public sector environment is not appropriately considered in certain instances. For example:
 - When approved budgets are based on annual funding, management may be missing key information to prepare its going concern assessment for at least twelve-months from the date of approval of the financial statements.
 - Governments may not be willing to confirm in writing their ability and intent to maintain or provide the necessary financial support or may depend on future political decisions.
 - The implications for the auditor's report are not sufficiently tailored for entities operating in the public sector given that for such entities' going concern is generally not a significant issue. In addition, for public sector entities, long-term fiscal sustainability disclosures of an entity's finances are likely to be of greater public interest for users than reporting on whether the use of the going concern basis of accounting is appropriate.

Analysis of Public Sector Approaches for Going Concern

67. To inform its deliberations of the public sector perspectives of the standard, the GC TF reviewed jurisdictional approaches for going concern in the public sector and the rationale that underlies them. In

¹⁴ Five Public Sector Organizations responded to ED-570, including: the [Office of the Auditor General New Zealand \(OAGNZ\)](#), the [Office of the Auditor General of Canada \(OAGC\)](#), the [Office of the Auditor General of Manitoba \(OAGM\)](#), the [Provincial Auditor of Saskatchewan \(PAS\)](#) and the [UK National Audit Office \(UKNAO\)](#).

¹⁵ See, for example, the written response from the [Canadian Auditing and Assurance Standards Board \(AASB\)](#), [Colin Semotiuk \(CS\)](#) and others.

¹⁶ For example, the UK [Government Financial Reporting Manual](#) interprets paragraphs 25-26 of IAS 1 as: "for non-trading entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. However, a trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up."

addition, the GC TF compared the going concern principles and concepts that apply in the international financial reporting framework for the private sector (i.e., the IFRS Accounting Standards) with those that apply for the public sector (i.e., the Standards of the International Public Sector Accounting Standards Board (IPSASB)). The aim being, identifying whether there are any gaps that need to be considered, or areas where guidance may be necessary to support proportionate application of ED-570 for entities operating in the public sector.

Public Sector Jurisdictional Approaches

68. Below is a summary of approaches in certain jurisdictions for going concern in the public sector that were cited by respondents in their comment letters or otherwise made available:

- (a) In the United States, the Federal Accounting Standards Advisory Board (FASAB) has determined that going concern as contemplated in the commercial sense is not applicable to federal government financial reporting.¹⁷ As a consequence, the FASAB has excluded going concern from its body of statements and instead, for the consolidated financial report of the federal government, there is required reporting to help users determine whether future budgetary resources will likely be sufficient to sustain public services and to meet obligations as they come due.
- (b) In the United Kingdom, reporting for public sector entities follows the principles of the IFRS Accounting Standards, as adapted or interpreted for the public sector. To support proportional application of its auditing standards, the Financial Reporting Council (FRC) has issued a Practice Note¹⁸ which provides guidance that embodies the following key principles:
 - When the applicable financial reporting framework includes a presumption of the continuation of public services, the going concern basis of accounting will likely not be a matter of significant focus for the auditor's time and resources. This is because except for exceptional cases (e.g., where the functions of a public sector entity are to be discontinued or delivered outside the public sector), the use of the going concern basis of accounting is not questionable. Also, a material uncertainty related to going concern is unlikely to exist in such cases and a straightforward and standardized approach to comply with auditing going concern will often be appropriate.
 - When the applicable financial reporting framework does not include a presumption of the continuation of public services, because public sector entities are likely to be able to draw upon government assistance in realizing their assets and settling their liabilities, this means that the going concern basis of accounting may (but will not always) be more likely to apply than for private sector entities in a comparable financial position.
- (c) In New Zealand, the application of the Auditor General's Statement on Going Concern¹⁹ states that the auditor cannot assume that because an entity is operating in the public sector, the government will automatically support the entity. It explains that the auditor needs to assess the validity of the going concern basis of accounting by asking the question "*Whether without government or other external assistance over and above that provided to fund normal operations (including the need to invoke statutory processes to amend an entity's ability to levy or rate), will the entity be able to continue*

¹⁷ See the [FASAB Handbook of Federal Accounting Standards and Other Pronouncements](#).

¹⁸ See [Practice Note 10: Audit of Financial Statements and Regulatory of Public Sector Bodies in the United Kingdom](#).

¹⁹ See [AG ISA \(NZ\) 570](#).

operating for at least one year (or for the foreseeable future) from the date of the approval of the financial statements.”

- (d) Certain respondents from Canadian public sector organizations argued that many public sector accounting frameworks presume governments to be going concerns because of their powers, rights and abilities and their capacity to issue debt and raise resources. They also believe that for many public sector accounting frameworks, the going concern presumption can only be rebutted by persuasive evidence to the contrary and the auditor’s procedures and reporting need to be adapted as necessary (e.g., for a restructuring transaction).

International Financial Reporting Frameworks

69. The going concern principles and concepts in the IFRS Accounting Standards and the standards of the IPSASB remain consistent. For example, both IAS 1 and IPSAS 1²⁰ require management (or those responsible for preparation of the financial statements) to make an assessment of an entity’s ability to continue as a going concern; to prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so; and the entity to disclose any material uncertainties related to events or conditions that may cast significant doubt. Also, both IAS 10²¹ and IPSAS 14,²² require that an entity should not prepare its financial statements on a going concern basis if events after the reporting period indicate that the going concern assumption is not appropriate.
70. However, while the going concern principles and concepts in the IFRS Accounting Standards and the standards of the IPSASB remain consistent, there are certain differences that relate to:
- (a) The minimum period for which management is required to take into account all available information when assessing the entity’s ability to continue as a going concern. IAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period. IPSAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the approval of the financial statements.
- (b) Circumstances when the going concern assumption is no longer appropriate. IAS 10 requires a fundamental change in the basis of accounting, rather than an adjustment to the amounts recognized under the going concern basis of accounting. IPSAS 14 requires an entity to reflect in its financial statements where the going concern assumption is no longer appropriate, and notes that judgment is required in determining the impact of this change on the carrying value of the assets and liabilities recognized in the financial statements.
71. The IPSAS also set out additional discussion in support of proportionate application of the going concern concept and principles to entities operating in the public sector. For example, the IPSAS explain that:
- (a) While the going concern principle underpins the preparation of the financial statements, the interpretation of the going concern principle needs to reflect the nature of public sector programs and the longevity of the public sector. It also discusses the importance for users of prospective financial information on the long-term sustainability of an entity’s finances and key programs that is

²⁰ International Public Sector Accounting Standards (IPSAS) 1, *Presentation of Financial Statements*

²¹ IAS 10, *Events After the Reporting Period*

²² IPSAS 14, *Events After the Reporting Date*

necessary for accountability and decision-making purposes.²³

- (b) The degree of consideration for going concern in the public sector depends on the facts in each case, and assessments of going concern are not always predicated on the solvency test that is usually applied to business enterprises. For example, there may be circumstances where the usual going concern tests of liquidity and solvency appear unfavorable, but other factors suggest that the entity is nonetheless a going concern, such as for a government, the power to levy rates or taxes, and for an individual public sector entity, multiyear funding arrangements to ensure continued operation of the entity.²⁴
- (c) The determination of whether the going concern assumption is appropriate needs to be considered by each public sector entity. However, the assessment of going concern is likely to be of more relevance for individual entities rather than for a government as a whole.²⁵ For an individual entity, in assessing whether the going concern assumption is appropriate those responsible for the preparation of the financial statements need to consider a wide range of factors, such as current and expected performance of the entity, potential and announced restructurings of organizational units, estimates of revenue or the likelihood of continued government funding.²⁶

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-B:</i>	Para's. A2, A18A, A25A, A31A, A42C, A66
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72. In considering respondents feedback for the public sector perspectives, the GC TF believe the following key considerations are of importance:
- (a) The ISAs are also relevant to engagements in the public sector,²⁷ including the responsibilities of the auditor as set out by ED-570. However, the ISAs do not address additional responsibilities of public sector auditors beyond the scope of an audit of financial statements, such as those affected by the audit mandate or by law or regulation.²⁸ This may include, for example, responsibilities related to reporting on the long-term fiscal sustainability of a public sector entity's finances.
 - (b) There are a broad range of entities that operate in the public sector. For example, the IAASB Glossary of Terms includes "public sector" as a defined term, as follows "*Public sector—National governments, regional (for example, state, provincial, territorial) governments, local (for example, city, town) governments and related governmental entities (for example, agencies, boards, commissions and enterprises).*" Given this range and diversity among public sector entities, the GC TF highlights that it is unlikely that a principle-based standard as ED-570 could provide sufficient guidance that could accommodate all circumstances that may arise.

²³ See *The Conceptual Framework for General Purpose Financial Reporting by Public Interest Entities*, paragraphs 10-13.

²⁴ See IPSAS 1, paragraph 40.

²⁵ See IPSAS 1, paragraph 41 and IPSAS 14, paragraph 17.

²⁶ See IPSAS 1, paragraph 41 and IPSAS 14, paragraph 19.

²⁷ See the *Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*, paragraph 19.

²⁸ See ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph A62.

- (c) There are also various approaches for going concern relevant to both preparers and auditors in the public sector across jurisdictions, as well as that national law or regulation may set different expectations for governmental and/or other public sector entities. Given the variation across jurisdictional law, regulation or practices, the GC TF believes that in this area consistent application at the national level can best be provided through guidance and implementation support materials, for example from Jurisdictional and National Auditing Standard Setters.
73. In developing ED-570, the GC TF followed the current approach in the ISAs, which includes providing additional *Considerations Specific to Public Sector Entities* in the application material to assist in the application of the requirements of the standard in the audit of public sector entities. Importantly, such considerations do not limit or reduce the responsibility of the auditor to apply and comply with the requirements of ED-570.²⁹ In particular, the GC TF:
- (a) Retained the explanation from extant in paragraph A2 of ED-570 that the going concern basis of accounting is also relevant to public sector entities. The application material refers to IPSAS 1 and provides examples when going concern risks may arise in the public sector.
- (b) Added paragraph A66 of ED-570 to recognize that in the public sector, the auditor may need to consider additional public sector financial reporting disclosure requirements, such as jurisdictional requirements to disclose long-term fiscal sustainability of a public sector entity's finances.
74. The GC TF discussed that the scalability guidance in ED-570 allows for sufficient flexibility to support applying a scalable and proportional approach for going concern, based on the entity's circumstances and in view of the requirements of the applicable financial reporting framework. For example:
- (a) While the auditor is always required to perform risk assessment procedures and to obtain an understanding of the matters set out in paragraph 12 of ED-570, the application guidance in paragraph A13 of ED-570 notes that the nature and extent of the auditor's risk assessment procedures may also depend on the extent to which certain matters apply in the circumstances.
- (b) While the auditor is always required to evaluate management's assessment, paragraph A30 of ED-570 explains that a lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate. Again, this would be driven by the nature and circumstances of the entity and the requirements of the applicable financial reporting framework.
75. In considering opportunities where the existing guidance could be enhanced, or additional guidance provided, to support proportionate application for going concern in the public sector, the GC TF believes that:
- (a) The guidance in paragraph A2 of ED-570 remains relevant. The GC TF considered whether this guidance could be extended to explain further matters addressed by IPSAS 1 (see paragraph 71 above), however is of the view that those explanations are best placed in the international financial reporting framework, rather than in auditing standards. In addition, this would not align with the framework neutral approach of the ISAs.
- (b) Paragraph A66 of ED-570 should be enhanced to recognize that the auditor's work on information about long-term fiscal sustainability of a public sector entity's finances may also provide the auditor

²⁹ See ISA 200, paragraph A68.

with information about events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. The GC TF has also proposed to move this paragraph to the risk assessment procedures and related activities section (see paragraph A25A of **Agenda Item 3-B**).

- (c) New public sector considerations should be provided in paragraphs A18A, A31A and A42C of **Agenda Item 3-B** to acknowledge the unique circumstances for certain entities operating in the public sector in response to stakeholder feedback.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section IV** above. In addition:

- 5. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-B** to address matters relevant to the public sector considerations.

Section V – Documentation

- 76. Question 16 of ED-570 included an open-ended question seeking input from respondents if they had any other matters to raise. Documentation was one of the substantive themes from the feedback for question 16 (see the separate NVivo report in **Agenda Item 3-D.5 and 3-E.5** for further details).

Respondent's Comments

- 77. One MG respondent encouraged the IAASB to incorporate specific documentation requirements in ED-570 that would clarify the application of ISA 230³⁰ to the auditor's work on going concern. Other respondents, including respondents from the Regulators and Audit Oversight Authorities constituency, commented that preparation of sufficient audit documentation remains a key finding in audit inspections and recommended specific documentation requirements for the following aspects:
 - (a) Key elements of the auditor's understanding of the entity and its environment, including the entity's system of internal control related to going concern.
 - (b) Indicators of possible management bias, if any, and the auditor's evaluation of the implications for the audit.
 - (c) Significant judgments relating to the auditor's determination of the appropriateness of management's use of the going concern basis of accounting, whether a material uncertainty exists, and the appropriateness of management's disclosures in the financial statements.
 - (d) The identified events or conditions that may cast significant doubt and the rationale for the significant judgments made in their identification.

³⁰ ISA 230, *Audit Documentation*

GC TF Views and Recommendations

Relevant Paragraphs in **Agenda Item 3-B**:

Para. 40A

78. Extant ISA 570 (Revised) does not include specific going concern documentation requirements. Also, documentation was not a matter contemplated by the targeted actions of the project proposal to revise ISA 570 (Revised). However, the GC TF notes that documentation is not a standalone topic, but is rather inherently linked to the ‘performance’ aspects in the standards. The GC TF believes that further consideration should be provided to this topic, in view of stakeholder feedback, but also because analysis of changes made in other jurisdictions to their equivalent going concern-related standards³¹ indicates that they commonly include going concern specific documentation requirements.
79. In deliberating the matter, the GC TF considered:
- (a) The CUSP Drafting Principles and Guidelines addressing documentation.³² They highlight that for clarity, audit areas with higher inherent risk (such as fraud or accounting estimates), may require specific documentation requirements even though overarching documentation requirements are addressed by ISA 230. The GC TF discussed that this may equally apply for going concern.
 - (b) The specific documentation requirements established by jurisdictional equivalent going concern-related standards. From the analysis, the GC TF observed that different approaches have been applied across jurisdictions. For example, some standards have taken an approach for the documentation requirements to apply regardless of whether events or conditions have been identified (e.g., in ISA UK 570), while in others (e.g., in the AICPA SAS 132 and the PCAOB AS 2415 which are largely consistent) documentation is only triggered when events or conditions raise substantial doubt about the entity’s ability to continue as a going concern.
 - (c) Specific documentation requirements in more recently revised ISAs, including in ISA 315 (Revised 2019), ISA 540 (Revised), ISA 600 (Revised)³³ and those proposed in ED-240 to gain an understanding of matters where specific documentation requirements were established in the context of the subject matters addressed by those standards.
80. The GC TF has proposed in paragraph 40A of **Agenda Item 3A** a specific documentation requirement for areas where significant professional judgments are made. The GC TF rationale includes that this would help promote consistent practice and behavior by clarifying how paragraph 8 of ISA 230 applies in the context of going concern when there are events or conditions that may cast significant doubt (see also ISA 230, paragraph A6).
81. However, the GC TF has not pursued suggestions for specific documentation requirements by applying a ‘going concern lens’ to matters addressed by foundational ISAs, given its view that there would be limited value in doing so. For example, because the documentation requirement in paragraph 38(b) of ISA 315 (Revised 2019) would apply to the auditor’s understanding obtained from the risk

³¹ See the FRC [ISA UK 570, Going Concern](#), paragraph 26-1, the AICPA SAS 132, paragraph 32 and the Public Company Accounting Oversight Board (PCAOB) AS 2415: [Consideration of an Entity’s Ability to Continue as a Going Concern](#), paragraph .17.

³² See Section 13 “Addressing Specific Documentation Requirements in Individual Standards Other than ISA 230” of the [CUSP Drafting Principles and Guidelines](#).

³³ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

assessment and related activities undertaken in accordance proposed ISA 570 (Revised 202X), the GC TF believes it is unnecessary to include a similar requirement in the standard.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section V** above. In addition:

6. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-B** to address matters relevant to documentation.

Section VI – Other Matters and Translations

Highlights from Respondents' Feedback

- Views that further consideration is needed for:
 - The requirement in paragraph 28 of ED-570 when information becomes available after the date of the auditor's report and its alignment with ISA 560.³⁴
 - Providing clarifications for the requirements in paragraphs 29–30 of ED-570 when evaluating and concluding based on the audit evidence obtained.
 - Elevating certain application material as requirements.
 - Special purpose frameworks and review engagements.
- No significant translation issues noted.

82. This section summarizes the other substantive themes from the written responses for question 16 (see the separate NVivo report in **Agenda Item 3-D.5 and 3-E.5** for further details), along with the GC TF views and recommendations in relation to those themes.³⁵

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

Relevant Paragraphs in Agenda Item 3-B:

Para's. 28, A55

Respondent's Comments

83. Some respondents disagreed with the requirement in paragraph 28 of ED-570 and commented that it does not align with ISA 560 because it inappropriately imposes a higher expectation for the auditor to *consider whether any additional information* has become available after the date of the auditor's report but before the financial statements are issued. Suggestions included that the requirement should be reconsidered for consistency with ISA 560 given that the auditor has no obligation to perform any audit procedures after the date of the auditor's report and only has to respond *if a fact becomes known* to the auditor and that fact has a significant effect on the financial statements (e.g., a fact that would have caused the auditor to amend the auditor's report, had it been known prior to the date of signing the auditor's

³⁴ ISA 560, *Subsequent Events*

³⁵ Respondents' comments for written representations, which was also a substantive theme for question 16, was previously discussed by the Board in June 2024.

report).

GC TF Views and Recommendations

84. If events or conditions are identified, extant paragraph 16(d) of ISA 570 (Revised) requires the auditor to *consider* whether any additional facts or information have become available since the date on which management made its assessment. In developing ED-570, the GC TF leveraged this paragraph to develop the requirement for when information becomes available after the date of the auditor’s report (see paragraph 28 of **Agenda Item 3-B**). The intent was for this to work with and apply in the context of the requirements in ISA 560 relating to facts which become known to the auditor after the date of the auditor’s report but before the financial statements are issued.
85. In considering suggestions from the feedback, the GC TF continues to believe that “consider” is the appropriate work effort verb for the requirement. This is because it aligns more closely with the wording used in extant and provides more active language to guide the actions for the auditor should information become available after the date of the auditor’s report. The GC TF also believes that the requirement should not be conditional on whether events or conditions have been identified, as information may become available irrespective of whether events or conditions were initially identified. The GC TF also discussed that the requirement does not impose an obligation to actively seek out any additional information or perform procedures beyond those required by ISA 560 and appropriately refers to ISA 560 for the auditor’s future response.

Evaluating the Audit Evidence Obtained and Concluding

Relevant Paragraphs in Agenda Item 3-B :	Para’s. 29–30 and A51, A56–A60A
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Respondent’s Comments

86. Some respondents, including two MG members, commented that:
- (a) Paragraphs 29–30 of ED-570 should be further aligned and clarified in view of the proposed revisions to ISA 500 (Revised), *Audit Evidence*. Views included that, given the revised audit evidence definition in proposed ISA 500 (Revised), it is unclear whether the auditor is required to consider *all information* when evaluating whether sufficient appropriate audit evidence has been obtained.
 - (b) Guidance is needed for the requirement in paragraph 30 of ED-570 to assist auditors in determining whether a material uncertainty exists, and in doing so, guiding the thought process the auditor should follow in concluding whether a material uncertainty exists. Suggestions included linking the explanation for “may cast significant doubt” to assist with consistent application of the requirement and the definition of Material Uncertainty (Related to Going Concern).

GC TF Views and Recommendations

87. In developing ED-570, the GC TF considered proposed ISA 500 (Revised) that was issued for exposure in October 2022. In addition, paragraph 12 of the EM accompanying ED-570 notes the IAASB’s intent to pursue further alignment changes, as necessary, once the revised audit evidence standard is finalized. However, given the work plan decisions reflected in the [IAASB Strategy and Work Plan for 2024-2027](#), ISA 570 (Revised 202X) is now targeted for completion before proposed ISA 500 (Revised). Therefore, relevant conforming and consequential amendments for going concern may be

best be pursued at a later time.

88. Since ED-570, the GC TF has incorporated the description for the phrase “may cast significant doubt” into the definition of Material Uncertainty (Related to Going Concern) and made a clearer link in the definition to management’s plans for future actions. By doing so, the GC TF is of the view that the standard is now more explicit about how the definition and the phrase “may cast significant doubt” interplay with the auditor’s conclusion required by paragraph 30 of ED-570, including that the auditor’s conclusion is made on a “net basis” (i.e., after consideration of mitigating factors included in management’s plans for future actions). To further support this understanding, the GC TF has proposed to relocate and enhance paragraph A51 of **Agenda Item 3-B** into a new paragraph (i.e., paragraph A60A of **Agenda Item 3-B**) supporting the auditor’s conclusion as to whether a material uncertainty exists.

Elevating Application Material to the Requirements

<i>Relevant Paragraphs in Agenda Item 3-B:</i>	<i>Para’s. A63, A77</i>
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Respondent’s Comments

89. Some respondents from the Regulators and Audit Oversight Authorities constituency suggested that certain application material addressing disclosures is elevated to the requirements, including:
- (a) Paragraph A63 of ED-570, given that if additional disclosures are necessary to achieve fair presentation, then this should be stated in the requirements.
 - (b) Paragraph A77 of ED-570, given that when the auditor determines that disclosure of information is necessary, the phrase “may encourage management or TCWG to disclose such additional information” is a too low level.

GC TF Views and Recommendations

90. The GC TF believes additional requirements for these matters are not necessary given that paragraph 14 of ISA 700 (Revised)³⁶ already addresses a requirement for the auditor to evaluate whether the financial statements achieve fair presentation, as footnoted in paragraph A63 of **Agenda Item 3-B**. Also, the guidance in paragraph A77 of ED-570 remains consistent with that in ISA 701³⁷ addressing original information and there is appropriate alignment in this regard.

Special Purpose Frameworks

Respondent’s Comments

91. Some respondents commented that further consideration is necessary for the proposed conforming and consequential amendments as a result of ED-570 to the ISAs in the 800-series, given that special purpose financial statements may, or may not, be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant.

³⁶ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

³⁷ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

92. Views included that:
- (a) Confusion may exist among auditors and the public about the extent to which a material uncertainty related to going concern has been considered, particularly when the auditor reports only on a specific element, account, or item of a financial statement. Suggestions included to provide an option for ISA 805 (Revised)³⁸ reports to include an explicit statement as to whether the auditor's work involved an evaluation of management's assessment of going concern. For example, by adding an Other Matter paragraph to explain that because an element, account or item of a financial statement is not a complete set of financial statements, the audit did not include an evaluation of the entity's ability to continue as a going concern.
 - (b) The removal of the responsibilities of management and the auditor with respect to going concern from illustration 2 of ISA 805 (Revised) and the changing of the fact pattern for the illustration from the cash basis of accounting to a special purpose framework should be clarified and/or reconsidered.
 - (c) The inclusion of a Going Concern section in illustrations 1 and 2 of ISA 800 (Revised)³⁹ should be conditional and limited to circumstances where the special purpose financial statements are prepared under the going concern basis of accounting.

GC TF Views and Recommendations

93. The GC discussed that within the scope of the going concern project, the changes to the standards of the 800-series of the ISAs have been considered and made when necessary only in the context of conforming and consequential amendments.⁴⁰ As such, the GC TF is of the view that considering an Other Matter paragraph extends beyond necessary revisions to address perceived inconsistencies between the revisions for proposed ISA 570 (Revised 202X) and ISA 805 (Revised). Equally, the amendment made to illustration 2 of ISA 805 (Revised) is necessary to maintain the coherence with the overall body of standards so they can continue to be applied together without conflict. On this basis, the GC TF does not believe further changes for the matters discussed in paragraph 92(a)-(b) should be pursued.
94. Post September 2024, when updating the conforming and consequential amendments, the GC TF may consider adding a clarification to the circumstances addressed by illustrations 1 and 2 of ISA 800 (Revised) that the going concern basis is relevant to the special purpose framework. Doing so would remain consistent with paragraphs A15 of ISA 800 (Revised) and with paragraph 2 of ED-570.

Review Engagements

Respondent's Comments

95. Some respondents⁴¹ urged for the IAASB to consider a project to reflect the key principles and concepts on going concern addressed with the revisions in ED-570 for review engagements undertaken in

³⁸ ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

³⁹ ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

⁴⁰ See Section 14 "Conforming and Consequential Amendments to ISAs" of the [CUSP Drafting Principles and Guidelines](#).

⁴¹ Respondents were from the *Jurisdictional and National Auditing Standard Setters, Accounting Firms and Member Bodies and Other Professional Organizations* stakeholder constituency.

accordance with ISRE 2400 (Revised)⁴² and ISRE 2410.⁴³ Concerns included that because a review of financial statements also includes consideration of the entity's ability to continue as a going concern, not updating the ISREs may further exacerbate the differences in treatment across review and audit engagements, particularly with respect to the reporting requirements, that may cause potential confusion for users.

GC TF Views and Recommendations

96. The IAASB's project to revise its going concern standard was informed through information gathering and research activities, including from feedback to the Discussion Paper⁴⁴ that focused on going concern matters relevant to an audit of financial statements. Given this context, the GC TF is of the view that the IAASB's rationale for not pursuing conforming and consequential amendments to the ISREs as explained in paragraphs 99-101 of the EM accompanying ED-570 remains relevant. In particular, the GC TF highlights that the necessary revisions to the ISREs would likely be out of the scope of conforming and consequential amendments, and beyond the targeted nature of the actions outlined in the project proposal because they may involve broader matters that can be only addressed by a holistic revision of the review standards. For example, the ISREs are not aligned with the changes to the auditor's report introduced as part of the project to revise the Auditor Reporting Standards, such as the structure of the report and including new elements introduced to the auditor's report. In addition, the GC TF notes that the IAASB Strategy and Work Plan for 2024-2027 already anticipates a project to comprehensively revise ISRE 2410.

Translations

Respondent's Comments

97. Respondents generally did not identify significant challenges in relation to translating the proposed standard when responding to question 17(a) of ED-570 (see the separate NVivo reports in **Agenda Items 3-D.6 and 3-E.6** for further details).⁴⁵ In their comments, respondents provided the following perspectives:
- (a) ED-570 includes some long sentences and phrases that may create challenges when translating to other languages (e.g., in the proposed definition of Material Uncertainty (Related to Going Concern)).
 - (b) Simplifications can be considered for certain application material paragraphs (e.g., redrafting the guidance to convey the key message in a more concise and straightforward manner).
 - (c) To support accessibility and consistent adoption, the IAASB should make its standards as accessible as possible through the e-International Standards online tool.

GC TF Views and Discussion

98. The GC TF acknowledges that certain phrases used in the standard are long (e.g., "events or conditions

⁴² International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

⁴³ ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

⁴⁴ 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](#)

⁴⁵ 25 of the 78 respondents to ED-570 commented to question 17(a). None of the MG members provided responses.

that may cast significant doubt on the entity’s ability to continue as a going concern”), which unavoidably adds length to the sentences and paragraphs of the standard. However, the GC TF notes that in developing ED-570, an independent review was undertaken to ensure that the CUSP Drafting Principles and Guidelines have been consistently applied, as well as that the standard is clear and understandable.

99. The GC TF also note that:
- (a) The key phrases used in the revised standard remain consistent with extant ISA 570 (Revised), which should enable leveraging the current text for those jurisdictions where translations are necessary.
 - (b) The re-phrasing of the definition of Material Uncertainty (Related to Going Concern) and removing the reference to disclosures may be a helpful change to reduce length and enhance the definitions’ understandability (including for translations).

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section VI** above. In addition:

7. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-B** to address other matters.

Part B: Key Changes Since June 2024

100. This Part provides an explanation of the GC TF rationale for certain key changes made to the draft of proposed ISA 570 (Revised 202X) in response to feedback from the Board in June 2024, and the input received from coordination and outreach activities. **Agenda Item 3-A** discusses other changes made, including refinements in response to Board offline comments provided directly to IAASB Staff and changes to the standard of a clarifying nature.

Definition of Material Uncertainty (Related to Going Concern)

Relevant Paragraphs in **Agenda Item 3-B:**

Para’s. 10, 32(b) and A4–A5A

Feedback Received in June 2024

101. The Board supported removing the reference to *auditor’s professional judgment* from the definition of Material Uncertainty (Related to Going Concern) and elevating the phrase "may cast significant doubt" to the definition. The Board also supported that the GC TF continues to engage with the IASB with respect to the changes proposed to the definition.
102. Directional feedback included to reconsider relegating reference to disclosures from the definition to the application material, including clarifying the related drafting for the application material as it reads as a requirement. In addition, certain alignment suggestions were provided with wording used elsewhere in the standard.

GC TF Discussion and Recommendations

Reference to “Disclosures”

103. The GC TF reaffirmed its view that it is not appropriate to reference disclosures in the definition given they do not directly help define the concept of a material uncertainty. In forming its view, the GC TF also considered views from IASB representatives who found the changes made to the definition reasonable, including the proposals to relegate the disclosures to the application material.
104. The GC TF discussed that the application material in paragraph A5A of **Agenda Item 3-B** referring to disclosures was carried over from the extant essential material supporting the auditor’s conclusion on whether a material uncertainty exists (extant ISA 570 (Revised), paragraph 18). Although it could be appropriate to relocate such essential material to the application material given the revisions to ED-570, the GC TF reconsidered the importance of the material based on the feedback received. The GC TF believes that it is appropriate to rather include this essential material addressing disclosures in the requirement in paragraph 32(b) of **Agenda Item 3-B**. In doing so, the GC TF replaced the word “appropriate” from the original text with “adequate” given the requirement refers to the *adequacy of disclosures* when a material uncertainty exists.

Alignment Matters

105. Paragraph 32(b) of **Agenda Item 3-B**, discussing the adequacy of disclosures when a material uncertainty exists, includes the wording “*the entity may be unable to realize its assets and discharge its liabilities in the normal course of business*”. In addition, paragraph 2 of **Agenda Item 3-B**, discussing the going concern basis of accounting, uses the construct “*the entity will be able to realize its assets and discharge its liabilities in the normal course of business.*” This paragraph also refers to “*the entity is a going concern and will continue its operations for the foreseeable future.*”
106. The GC TF proposed changes to paragraph 10 of **Agenda Item 3-B** to align with wording used in paragraphs 32(b) and 2 of **Agenda Item 3-B**. In doing so, the GC TF retained the reference to the “foreseeable future” given its view that it is important to retain a reference to the future in the definition.
107. The GC TF also discussed respondents’ suggestions for clarifying what is meant by “foreseeable future” (e.g., clarifying that a material uncertainty is considered for a period of at least twelve-months from the date of approval of the financial statements), however did not pursue such suggestions. This is because the GC TF believes that the standard is sufficiently clear as to what period the auditor is required to cover when reaching a conclusion.

Risk Identification and Assessment

Relevant Paragraphs in Agenda Item 3-B :	Para’s. 11–15 and A6–A18, A19–A21, A22–A25, A26–A28
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Feedback Received in June 2024

108. The Board supported elevating to the requirement in paragraph 11 of **Agenda Item 3-B** the concept that the auditor considers events or conditions that may cast significant doubt on a gross basis. However, the Board directed the GC TF to strengthen the wording used in the requirement given that “consider” may be a too low bar for the auditor when identifying events or conditions.

GC TF Discussion and Recommendations

109. In response, the GC TF strengthened the work effort in paragraph 11 of **Agenda Item 3-B** from a “consideration” to “determination.” Also, the text of the requirement was aligned more closely with the original text in ED-570.

Timeline Over Which the Going Concern Assessment is Made

Relevant Paragraphs in Agenda Item 3-B:	Para’s. 16, 21–23 and A28A, A42–A42B, A43–A45
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Feedback Received in June 2024

110. The Board supported retaining the proposal for the auditor to request management to extend its going concern assessment to cover a period of at least twelve-months from the date of approval of the financial statements. Directional feedback included:

- (a) Enhancing the linkages between paragraph 16 and paragraphs A43 and A45 of **Agenda Item 3-B** as they are also relevant to the auditor when management is unwilling to make an assessment.
- (b) Replace the word “considers” in paragraph 23 of **Agenda Item 3-B** with “concludes” or “determines” to provide a stronger message when management is still unwilling to extend its assessment.

GC TF Discussion and Recommendations

111. The GC TF believes that a clear distinction is necessary between management refusing to *make* an assessment or having made an assessment, management is unwilling to *extend* its assessment. This is because the flexibility provided in the application material may be inappropriately interpreted that when management has not made any assessment, management may provide the auditor further information to support its lack of assessment. On this basis the GC TF has not pursued suggestions to link or cross reference paragraph 16 to paragraphs A43 and A45 of **Agenda Item 3-B**. Instead, the GC TF believes that the application material in paragraph A28A of **Agenda Item 3-B** is sufficient to support appropriate application of the requirement when management is unwilling to make its assessment.

112. With respect to the work effort verb used in paragraph 23 of **Agenda Item 3-B**, the GC TF discussed that ED-570 uses “believes” and that neither “concludes” or “determines” are appropriate to be used in the context. However, given that “believes” is not a commonly used work effort verb,⁴⁶ the GC TF revised the construct to refer to “in the auditor’s professional judgment” instead.

Communication with Appropriate External Parties

Relevant Paragraphs in Agenda Item 3-B:	Para’s. 40 and A90–A93
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Feedback Received in June 2024

113. The Board was supportive of retaining the conditional approach for the requirement to communicate with appropriate external parties based on requirements established by law, regulation or relevant

⁴⁶ See Appendix 2 “Work Effort Verbs” of the [CUSP Drafting Principles and Guidelines](#).

ethical requirements and with the proposed enhancements to the application material to promote early communication.

114. Some Board members suggested considering whether paragraphs A91 and A92 of **Agenda Item 3-B** could be streamlined, as well as whether the example referring to the NOCLAR provisions of the IESBA Code⁴⁷ remains relevant when communicating going concern matters with appropriate external parties.

Outreach with Prudential Regulators

115. There was support from the outreach with BCBS and IAIS representatives for the enhancements made to ED-570 to communicate with appropriate external parties when providing a Material Uncertainty Related to Going Concern or issuing a modified opinion with respect to going concern. Suggested improvements related to addressing the following key aspects:
- (a) Emphasizing the timeliness of the auditor’s communication with appropriate external parties in the requirement.
 - (b) Addressing ‘rights’ in addition to responsibilities established by law or regulation, given that certain jurisdictions provide proactive, early engagement by the auditor with prudential supervisors through established rights, rather than responsibilities.

GC TF Discussion and Recommendations

116. Based on suggestions from BCBS representatives, the GC TF has proposed to strike-out the words “it necessary to” from the requirement in paragraph 40 of **Agenda Item 3-B** not to imply that the reporting should only be considered at the point in time when the auditor’s final conclusion is made. In addition, the requirement in sub-paragraph (b) was extended to also address ‘rights’ in addition to responsibilities established by law or regulation.
117. When developing the requirement in paragraph 40 of **Agenda Item 3-B** the GC TF aimed to remain consistent with similar requirements already established by paragraph 29 of ISA 250 (Revised).⁴⁸ Paragraph 29(b) of ISA 250 (Revised) refers only to responsibilities established by law or regulation, while the application material in paragraph A31 of ISA 250 (Revised) addresses the ‘right’ to report to an appropriate authority. Given the desire for consistency, the GC TF will consider post September 2024 whether a conforming and consequential amendment should be proposed for paragraph 29(b) of ISA 250 (Revised) to also elevate ‘rights’ to the requirement.
118. In coordinating with IESBA, there was support for the relevance of the examples and references to the NOCLAR provisions of the IESBA Code in paragraph A91 of **Agenda Item 3-B** (second bullet) and on this basis the GC TF is of the view that these should be retained. Also, in the same paragraph, IESBA suggested to place the footnote referring to the example from the IESBA Code earlier in the text. This was because the IESBA Code does not explicitly preclude the disclosure of information (i.e., only confidentiality restrictions in law or regulation will preclude the exercise of a right to disclose a particular going concern matter to an external authority).

⁴⁷ See [Section 360, Responding to Non-compliance with Laws and Regulations](#) of the IESBA Code.

⁴⁸ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

Transparency About Going Concern in the Auditor’s Report

Relevant Paragraphs in Agenda Item 3-B :	Para’s. 33–37; A1, A67–A85, and Illustrations 1–6 of the Appendix
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Feedback Received in June 2024

119. The Board supported providing context to the explicit statements to enhance users’ understanding that such statements are not an opinion on a discrete matter in the audit neither a guarantee of the entity’s ability to continue as a going concern. Suggestions included to consider whether:
- (a) The use of the word “guarantee” is appropriate and whether the statements should differentiate cases where management has (or has not) provided corresponding statements in the financial statements.
 - (b) The title of the Going Concern section remains appropriate and to review the ordering of the statements in the illustrations when a material uncertainty exists.
120. There was also support for clarifying the threshold for reporting “close call” situations by referring to *significant management judgments that no material uncertainty exists*. In addition, more Board members supported using the Going Concern section, instead of the key audit matter (KAM) section, as an appropriate location to provide the disclosure for “close call” situations in the auditor’s report. Directional feedback for the enhanced communication for listed entities included considering:
- (a) Adding a requirement for the auditor to provide their key observations with respect to events or conditions that may cast significant doubt.
 - (b) Reinstating the words “if any” when referring to disclosures in the financial statements, given that the applicable financial reporting framework in certain jurisdictions may not require disclosure in the financial statements even when significant judgments are made by management in concluding that no material uncertainty exists.

Outreach with Prudential Regulators

121. From the outreach, views included that communicating with appropriate external parties is most relevant where a material uncertainty exists or if a modified opinion with respect to going concern is provided. However, some views also included that the auditor could be encouraged to communicate with appropriate external authorities for “close call” situations given there is a heightened risk in such circumstances.

GC TF Discussion and Recommendations

Explicit Statements About Going Concern

122. The GC TF reaffirmed its view that it is appropriate to retain reference to “guarantee” in the explicit statements, given this word is already used in the auditor’s report (i.e., the auditor’s responsibilities refer to reasonable assurance as a high level of assurance, but *not a guarantee* that an audit will always detect material misstatements when they exist).
123. Also, the GC TF retained its view from June 2024 that the explicit statements should continue to convey relevant information to intended users of audited financial statements about the auditor’s responsibilities and work related to going concern in a concise and understandable manner. On this

basis, the GC TF has not pursued suggestions to differentiate the statements based on cases where management has (or has not) provided corresponding statements in the financial statements. The GC TF is of the view that the suggested approach adds complexity that risks confusion for users and impacts the conciseness for the statements which may impair their understandability. In addition, as explained by paragraph A68 of **Agenda Item 3-B** the statements represent the minimum information to be provided and the auditor is not precluded from providing additional information to supplement the statements.

Illustrations

124. The GC TF has not pursued suggestions to add *Conclusions* to the title of the section on Going Concern as this may exacerbate perceptions about providing a piecemeal opinion. However, the GC TF has added a subtitle to illustrations 1-2 of **Agenda Item 3-B** to clearly signpost that no material uncertainty exists.
125. Also, the ordering of the statements in illustrations 3-6 of **Agenda Item 3-B** when a material uncertainty exists was reconsidered as it appeared more logical for the description of the material uncertainty to immediately follow the heading “material uncertainty related to going concern”, followed by the auditor’s conclusion on the appropriateness of management’s use of the going concern basis of accounting, which as the only “conclusion” now explicitly referred to in the report, is more logically placed immediately preceding the reference that the conclusions are based on the audit evidence obtained up to the date of the audit. Also, the order of the requirements in paragraphs 34-35 of **Agenda Item 3-B** was aligned to mirror the presentation order of the illustrations.

Enhanced Communication for Listed Entities

126. The GC TF believes that paragraph A73 of **Agenda Item 3-B** appropriately addresses matters that the description of how the auditor evaluated management’s assessment may include, such as key observations with respect to events or conditions that may cast doubt. On this basis, no further changes have been pursued for this matter.
127. With respect to reinstating the words “if any” in paragraph 33(b)(i) of **Agenda Item 3-B**, the GC TF believes that doing so may imply that there is optionality provided by the standard for management providing robust disclosures in the financial statement when significant management judgments were made that no material uncertainty exists. Also, in considering this matter, the GC TF discussed that paragraph 31 of **Agenda Item 3-B** would apply to such situations, including that the auditor would need to evaluate whether additional disclosures are necessary to achieve fair presentation beyond those that are specifically required by the applicable financial reporting framework. On this basis, the GC TF has decided not to pursue the reinstatement of “if any” and has also aligned paragraph A75 of **Agenda Item 3-B** accordingly.
128. The GC TF discussed that as part of IAASB’s project to revise the Auditor Reporting Standards, it was determined that a Material Uncertainty Related to Going Concern is by its nature a KAM. However, given its importance to users, it was determined that it should be reported in a separate section of the auditor’s report and not as a KAM. Paragraph A1 of **Agenda Item 3-B** and paragraph 15 of ISA 701 recognize this matter and there is a cross reference from the KAM section of the auditor’s report to the Material Uncertainty Related to Going Concern section.
129. Drawing analogy from this previous IAASB decision, the GC TF discussed that it is logical for the same rationale to apply when reporting a “close call” situation, given it signposts to users, in a

separate section of the auditor’s report, a heightened risk situation in relation to going concern. On this basis, the GC TF recognized in paragraph A1 of **Agenda Item 3-B** that a “close call” situation is by its nature a KAM, however, as for a material uncertainty today, it is reported according to proposed ISA 570 (Revised 202X) and not as a KAM.

130. Alignment changes were also proposed to illustration 2 in the Appendix of **Agenda Item 3-B** that depicts a “close call” situation to cross reference from the KAM section to the Going Concern section. In addition, post September 2024, when updating the conforming and consequential amendments, the GC TF intends to address the other illustrative reports in the ISAs as well as make necessary conforming amendments to ISA 701.

Matter for IAASB Consideration:

8. The Board is asked for its views on the GC TF revisions for the matters discussed in **Part B** above and as reflected in **Agenda Item 3-B** for:
- (a) The definition of Material Uncertainty (Related to Going Concern).
 - (b) Risk identification and assessment.
 - (c) The timeline over which the going concern assessment is made.
 - (d) Communication with appropriate external parties.
 - (e) Transparency about going concern in the auditor’s report.
9. The Board is asked for its views on the other changes made to proposed ISA 570 (Revised 202X) discussed in **Agenda Item 3-A** and as reflected in **Agenda Item 3-B**.

Part C: Way Forward

131. In December 2024, the GC TF will present to the Board an analysis of the feedback for Question 17(b) of ED-570 regarding the effective date and the updates to the conforming and consequential amendments to other ISAs, along with the GC TF views and recommendations for these matters.
132. Following the September 2024 IAASB meeting, and based on the Board’s feedback, the GC TF intends to continue to discuss the issues included in this Agenda Item as well as to align and refine the drafting for proposed ISA 570 (Revised 202X). Such matters will be subject to further deliberation by the IAASB at its December 2024 meeting.
133. In addition, the GC TF will continue to engage in coordination activities with IESBA, and with other IAASB Task Forces and Consultation Groups, as appropriate, and continue to liaise with accounting standard setting bodies such as the IASB and IPSASB.
134. The IAASB’s approval of the final pronouncement is targeted for December 2024.

GC TF Members and Activities

GC TF Members

1. The GC TF consists of the following members:
 - Edo Kienhuis (Chair)
 - Greg Schollum
 - Sue Almond
 - Wendy Stevens
 - Kai Morten Hagen
2. Information about the project can be found [here](#).

GC TF Activities, Outreach and Coordination

3. Since June 2024, the GC TF held 1 physical meeting over two days and 1 virtual meeting.
4. Paragraphs 5-10 provide information about outreach and coordination activities undertaken since June 2024. In addition, paragraphs 115 and 121 provide an overview and the key insights from the engagement with prudential regulators.

Monitoring Jurisdictional Developments

5. In August 2024, the FRC issued an exposure draft for public comment on its revised guidance on the going concern basis of accounting and related reporting, including solvency and liquidity risk.⁴⁹ The revised guidance discusses the requirements in auditing, accounting standards and other jurisdictional regulation, such as the UK Corporate Governance Code and listing rules, relating to reporting on the going concern basis of accounting and solvency and liquidity risks. Among other matters addressed, it intends to help entities perform going concern assessments proportionate to the uncertainties to which the entity is exposed and to its financial and liquidity position. The guidance also includes a revised range of factors and techniques in support of an entity's going concern assessment, depending on the circumstances. Comments are sought by October 28, 2024.

⁴⁹ See the [Guidance on the Going Concern Basis of Accounting and Related Reporting](#).

Appendix 2

**Summary of NVivo Reports and the Related Section in Part A of this Agenda Item
 Where the Summary is Presented**

ED-570 Question:	Section in <i>Part A</i> of this Agenda Item	Agenda Item:	
		NVivo Word Analysis	NVivo Excel Analysis
Question 3	Section I – Scalability	Agenda Item 3-D.1	Agenda Item 3-E.1
Question 8	Section II – Management’s Assessment of Going Concern	Agenda Item 3-D.2	Agenda Item 3-E.2
Question 9		Agenda Item 3-D.3	Agenda Item 3-E.3
Question 10	Section III – Management’s Plans for Future Actions	Agenda Item 3-D.4	Agenda Item 3-E.4
Question 16	Section V – Documentation	Agenda Item 3-D.5	Agenda Item 3-E.5
	Section VI – Other Matters and Translations	Agenda Item 3-D.5	Agenda Item 3-E.5
Question 17(a)		Agenda Item 3-D.6	Agenda Item 3-E.6

Reconciliation of ED-570 Questions Analysis

The below table presents a reconciliation of the questions provided to respondents in the EM accompanying ED-570, along with the IAASB meeting when an analysis of the feedback was presented to the Board for discussion.

No.	Text of Question in the EM Accompanying ED-570	IAASB Meeting
1	Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1?	June 2024
2	Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor’s judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor’s responsibilities and work?	June 2024
3	Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?	September 2024
4	Do the requirements and application material of ED-570 appropriately reinforce the auditor’s application of professional skepticism in relation to going concern?	June 2024
5	Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase “may cast significant doubt”?	June 2024
6	Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern?	June 2024
7	Do you support the change in the commencement date of the twelve-month period of management’s assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would	June 2024

No.	Text of Question in the EM Accompanying ED-570	IAASB Meeting
	be more appropriate and practicable)?	
8	Do you support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management’s assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern?	September 2024
9	Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor’s evaluation of the method, assumptions, and data used in management’s assessment of going concern?	September 2024
10	Do you support the enhanced requirements and application material, as part of evaluating management’s plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity’s owner-manager, to maintain or provide the necessary financial support?	September 2024
11	Will the enhanced requirements and application material to communicate with TCWG encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern?	June 2024
12	Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?	June 2024
13	<p>This question relates to the implications for the auditor’s report for audits of financial statements of all entities, i.e., to communicate in a separate section in the auditor’s report, under the heading “Going Concern” or “Material Uncertainty Related to Going Concern”, explicit statements about the auditor’s conclusions on the appropriateness of management’s use of the going concern basis of accounting and on whether a material uncertainty has been identified.</p> <p>Do you support the requirements and application material that facilitate enhanced transparency about the auditor’s responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable greater consistency and comparability across auditor’s reports globally?</p>	June 2024

No.	Text of Question in the EM Accompanying ED-570	IAASB Meeting
14	<p>This question relates to the additional implications for the auditor’s report for audits of financial statements of listed entities, i.e., to also describe how the auditor evaluated management’s assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).</p> <p>Do you support the requirements and application material that facilitate further enhanced transparency about the auditor’s responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?</p>	June 2024
15	<p>Is it clear that ED-570 addresses all implications for the auditor’s report relating to the auditor’s required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with ED-570 and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.</p>	June 2024
16	<p>Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.</p>	June and September 2024
17	<p>The IAASB is also seeking comments on the matters set out below:</p>	
17(a)	<p>Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-570.</p>	September 2024