

Going Concern – Issues and Due Process Considerations

Objective:

The objective of the IAASB discussion in December 2024 is to approve proposed ISA 570 (Revised 2024), *Going Concern* set out in **Agenda Item 2–B**, and the resulting conforming and consequential amendments set out in **Agenda Item 2–C**.

Request for Board Comments in Advance of the Meeting:

Board members are requested to communicate any significant matters to the Going Concern Task Force (GC TF) Chair and Staff by **Thursday, December 5, 2024**. This request is intended to assist the GC TF for the turnaround of the final pronouncement. All significant matters should still be raised and discussed in the Board plenary session on **Monday, December 9, 2024**, to ensure that such matters are on the public record.

Approach to the Board Discussion:

The GC TF Chair and Staff will walk through **Agenda Item 2–B.1** taking comments on the requirements and related application material paragraphs, and the appendix, in the order outlined in **Appendix 2** to this paper. Following the walk through of the standard, the GC TF Chair will take comments from the Board on the effective date (see **Section II**) and the proposed conforming and consequential amendments (see **Agenda Item 2–C**). After the Board discussion on **Monday, December 9**, the GC TF may bring targeted matters for further discussion with the Board on **Tuesday, December 10**. The matters to be brought back to the Board will depend on the nature and extent of the Board's comments.

The GC TF expects to distribute an updated draft of proposed ISA 570 (Revised 2024), and the proposed conforming and consequential amendments, by 5:30 pm EDT on **Wednesday, December 11**. These documents will be used for the approval session on **Thursday, December 12**. After the vote on the approval of proposed ISA 570 (Revised 2024), if the final pronouncement is approved, the Board will be asked whether the standard needs to be re-exposed (see **Section IV**).

Introduction

Background

1. At the September 2024 IAASB meeting, the GC TF presented to the Board an overview of respondents' comments for the remaining questions in the Explanatory Memorandum (EM) accompanying ED-570¹ (except for the effective date) and the GC TF views and proposals to address the key themes identified from the responses for those questions. In addition, the Board discussed the changes made to proposed ISA 570 (Revised 2024) since June 2024.²
2. The Board supported the GC TF proposals and provided comments for the topics discussed to be

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

considered further in the finalization of proposed ISA 570 (Revised 2024). The draft September 2024 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 9-12, 2024* webpage.

Materials Presented

3. This paper sets out the following:
- **Section I:** Explanation of *key matters considered* since September 2024, relevant to proposed ISA 570 (Revised 2024).
 - **Section II:** Analysis of respondents' comments to question 17(b) of the EM accompanying ED-570, and the GC TF recommendation for the *effective date* of the standard.
 - **Section III:** Description of the key updates to the *conforming and consequential amendments* to other ISAs as a result of the revisions to proposed ISA 570 (Revised 2024).
 - **Section IV:** Due process considerations.
 - **Section V:** 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 September 2024
Appendix 2	Approach for the walkthrough of the proposed standard
Appendix 3	Mapping of proposed ISA 570 (Revised 2024) to the standard-setting actions and project objectives in the project proposal
Agenda Item 2–A	Explanation of changes made to proposed ISA 570 (Revised 2024) since September 2024
Agenda Item 2–B.1	Proposed ISA 570 (Revised 2024) (mark-up from September 2024)
Agenda Item 2–B.2	Proposed ISA 570 (Revised 2024) (clean version)
Agenda Item 2–C	Conforming and consequential amendments arising from the revision of proposed ISA 570 (Revised 2024)
Agenda Items 2–D.1 to 2–D.2 (Supplemental)	Word and excel NVivo reports that include comments from respondents for the effective date ³
Agenda Item 2–E (Supplemental)	Comparison of requirements of ED-570 to proposed ISA 570 (Revised 2024)

³ See question 17(b) of the EM accompanying ED-570.

Outreach Activities

International Accounting Standards Board (IASB)

5. At the October 2024, IAASB-IASB liaison meeting for going concern, the GC TF Chair and Staff sought views from IASB representatives on the alignment changes made to the definition of Material Uncertainty (Related to Going Concern) in response to Board feedback, which were seen as reasonable. In addition, when discussing the expectations for disclosures in the financial statements for 'close call' situations, IASB representatives clarified that when significant judgments are made by management in concluding that there is no material uncertainty, then paragraph 122 of IAS 1⁴ would apply⁵ (see paragraphs 23-25).

International Public Sector Accounting Standards Board (IPSASB)

6. In September 2024, Staff of the IAASB met with Staff of the IPSASB to provide an update of the key changes made for going concern post ED-570. At the meeting, IPSASB Staff was supportive of the changes made to address the public sector considerations of the standard that aim to support proportionate application of going concern to entities operating in the public sector.

Small and Medium Practices Advisory Group (SMPAG)

7. At the October 2024 meeting of the International Federation of Accountants (IFAC) SMPAG, the GC TF Chair and Staff presented the changes made to proposed ISA 570 (Revised 2024) for specific topics and sought feedback from representatives on whether those changes are helpful to audits of smaller or less complex entities (LCEs). Also, views were sought from SMPAG representatives on whether the enhanced communication in the auditor's report for listed entities should be extended to entities other than listed entities (see paragraphs 14-18).
8. There was support from SMPAG representatives for the IAASB's rationale as discussed in paragraphs 73 and 82 of the EM accompanying ED-570, for not extending the differential requirements for listed entities to apply to entities other than listed entities. Representatives commented that certain non-listed entities might be considered as entities of significant public interest in certain jurisdictions (e.g., charities and non-profit organizations). However, representatives' views included that for such entities the concept of a 'close call' situation is not as relevant from the user's point of view, as for listed entities. In addition, it was noted that the standard appropriately provides flexibility for the enhanced communication to be provided in those cases where additional disclosure may be helpful based on the facts and circumstances.
9. In providing their feedback, SMPAG representatives recognized that the scalability enhancements to the standard post ED-570 are useful enhancements, and that requiring the auditor to evaluate management's assessment in all instances is appropriate for audits of smaller entities or LCEs given that going concern issues may pertain regardless of an entity's size or complexity. However, it was noted that in some cases management may not have capacity to produce documented going concern assessments which may cause practical challenges for auditors. In addition, concerns were voiced about the increased work effort required by the standard (e.g., requiring the auditor to obtain audit evidence about 'intent' and the extended commencement date of the period of management's

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

⁵ Also see [IFRIC-Update-July-2014.pdf \(ifrs.org\)](#).

assessment). Suggestions also included to consider more broadly for the ISAs whether a more succinct and directly worded auditor's report format would be appropriate for audits of smaller entities or LCEs.

American Institute of Certified Public Accountants (AICPA)

10. In October 2024, the GC TF Chair and IAASB Staff received a presentation from 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 from phase 2 of the AICPA's Auditing Standards Board research initiative that included a controlled language experiment related to commercial loan officers and 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 last phase of the research initiative become available.

Coordination with the Listed Entity and Public Interest Entity (PIE) Task Force

11. The Chairs and Staff of the Going Concern and Listed entity and PIE projects met in October 2024. At the meeting, an update was provided on respondents' feedback to question 14 of the EM accompanying ED-570 seeking views on whether the differential requirements for listed entities should be extended to apply to all entities, including for PIE (see paragraphs 14-22). In addition, given that both projects are subject for approval by the Board in December 2024, matters related to the effective dates were discussed. The outcome of the discussion included to coordinate the effective dates on both projects, given the support from respondents' feedback to minimize changes to the auditor's report in short succession (see paragraphs 35-38).

Project Objectives that Support the Public Interest

12. **Appendix 3** provides a table that compares the proposals made to enhance or clarify proposed ISA 570 (Revised 2024) with the standard-setting actions included in the project proposal. As the actions are directly related to the project objectives that support the public interest these have also been mapped. In addition, the table highlights the qualitative standard-setting characteristics set out in paragraph 36 of the [project proposal](#) and those included in the Public Interest Framework (PIF)⁶ that were used to assess the responsiveness of proposed ISA 570 (Revised 2024) to the public interest.

Section I – Key Matters Considered since September 2024

13. **Agenda Item 2–A** sets out an explanation for the changes made to proposed ISA 570 (Revised 2024) reflected in **Agenda Item 2–B.1**, including refinements in response to Board offline comments provided directly to IAASB Staff. In addition, the paragraphs below provide a further discussion about the key matters considered by the GC TF since September 2024.

Differential Requirements that Apply to Listed Entities

Extending the Applicability of the Differential Requirements

14. Question 14 of the EM accompanying ED-570 also sought views from respondents on whether the

⁶ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

enhanced communication about going concern in the auditor's report for listed entities should be extended to apply to audits of financial statements of entities other than listed entities.

15. From the feedback, there was clear support from Monitoring Group (MG) member respondents, and from the outreach with investors or other users of financial statements, for extending the differential requirements for listed entities to apply to PIE. Other respondents' feedback was mixed, including both views that agreed or disagreed with extending the differential requirements to apply to entities other than listed, including PIE.
16. Notwithstanding the range of views, there was broad support across all stakeholder groups to consider this matter in coordination with Track 2 of the Listed entity and PIE project, given that this project, among other matters, is specifically considering whether the extant differential requirements in the ISAs should be extended to PIE.⁷
17. In September 2024, the IAASB discussed two options proposed by the PIE Task Force in response to respondents' feedback to the Exposure Draft for Track 2 of the Listed entity and PIE project.⁸ Upon deliberation, the IAASB decided to pursue the option in terms of which the differential requirements in the ISQMs and ISAs should be amended to apply to 'publicly traded entities' ([Agenda Item 3](#) of this meeting elaborates on the rationale for the decision).
18. In view of the respondents' support for a coordinated approach in relation to the applicability of differential requirements in the ISAs among the projects and the Board's preference relating to advancing its Listed entity and PIE proposals, the GC TF:
 - (a) Advised the PIE Task Force that the differential requirements in proposed ISA 570 (Revised 2024) should apply to 'publicly traded entities' as contemplated by Track 2 of the Listed entity and PIE project.
 - (b) Conveyed to the PIE Task Force the support from certain respondents, including from investors or other users of financial statements, for extending the differential requirements in proposed ISA 570 (Revised 2024) to apply to entities other than listed entities, so it could be helpful to future IAASB deliberations on this topic.

References to 'Listed Entity' in Proposed ISA 570 (Revised 2024)

19. Paragraphs 34(b) and 35(b) of **Agenda Item 2–B.1** include differential requirements that apply to listed entities. In addition, various application material paragraphs as well as the illustrative auditor's reports 1–6 in the Appendix of **Agenda Item 2–B.1** refer to listed entities.
20. The Listed entity and PIE issues paper, **Agenda Item 3–B**, identifies all affected paragraphs in **Agenda Item 2–B.1** that refer to 'listed entity.' It also reflects the replacement to 'publicly traded entity' for the affected paragraphs as a consequence of the proposed narrow scope amendments for Track 2 of the Listed entity and PIE project.
21. Both proposed ISA 570 (Revised 2024) and the narrow scope amendments for Track 2 of the Listed entity

⁷ Track 2 of the Listed entity and PIE project is also considering proposals for adopting a definition of 'publicly traded entity' and PIE in the IAASB Standards, and an objective for establishing differential requirements in the ISQMs and ISAs.

⁸ See the [Exposure Draft \(ED\), Proposed Narrow Scope Amendments to ISQMs, ISAs and International Standard on Review Engagements 2400 \(Revised\), Engagements to Review Historical Financial Statements](#), as well as [Agenda Item 7](#) of the September 2024 IAASB meeting.

and PIE project are subject for approval by the Board in December 2024. In coordinating with the PIE Task Force and given the anticipated sequence for the Board approvals (i.e., proposed ISA 570 (Revised 2024) to be approved first in order), it was considered appropriate to present the affected paragraphs in proposed ISA 570 (Revised 2024), including the necessary alignment changes to reflect the replacement of listed entity with ‘publicly traded entity,’ as part of the agenda papers for the Listed entity and PIE project.

22. Subject to the Board approval of both projects in December 2024, as part of the annual update to the IAASB Handbook,⁹ the affected paragraphs from the final pronouncement of proposed ISA 570 (Revised 2024) would be updated to reflect the replacement of listed entity with ‘publicly traded entity.’

Adequacy of Disclosures

23. In September 2024, the Board suggested to clarify in the Basis for Conclusions the expectation implied by proposed ISA 570 (Revised 2024) for management to provide adequate disclosures in the financial statements when significant judgments are made by management in concluding that no material uncertainty exists. In addition, there were comments that the placement of the essential material in paragraph 33(b) of **Agenda Item 2–B.1** created complexity for the paragraph and there were different suggestions for alternative placement.
24. The GC TF discussed that paragraph 32 of **Agenda Item 2–B.1** includes:
- (a) A requirement for the auditor to evaluate the adequacy of disclosures when events or conditions have been identified that is conditional on the requirements of the applicable financial reporting framework. However, the notion that there is an expectation for the auditor to evaluate whether the financial statements adequately disclose the significant management judgments made is not sufficiently clear from the requirement.
 - (b) Application material that provides guidance to clarify that significant management judgment is an appropriate threshold to apply for when disclosure in the financial statements is expected. However, because this explanation forms part of the application material it may not be sufficiently effective in promoting consistency in behavior and practice when evaluating the adequacy of disclosures.
25. Given the important role that auditors play in contributing to high-quality financial reporting, the GC TF believes that it is important from the public interest perspective to be clear in proposed ISA 570 (Revised 2024) about the significant management judgment disclosure expectation. In clarifying such expectation, the GC TF revised paragraph 32 of **Agenda Item 2–B.1** to explicitly require the auditor to determine whether the financial statements provide adequate disclosures about the significant judgments made by management in concluding that there is no material uncertainty. In addition, the essential material discussing the necessity to disclose a material uncertainty under the ‘fair presentation and misleading test’ was relocated as application material to the requirements in paragraphs 32 and 33, and consequently, has been extended to also address the significant management judgment threshold (see paragraph A73 of **Agenda Item 2–B.1**).

⁹ See the *IAASB Handbook of International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

Documentation

26. In September 2024, the Board was supportive of including specific documentation requirements for the auditor's significant professional judgments relevant to going concern. Directional feedback provided by the Board included to consider whether the specific documentation requirements should be extended to also include other aspects, such as when management is unwilling to extend its period of assessment or to mirror matters addressed by paragraph 39(c) of ISA 540 (Revised)¹⁰ and paragraph 59 of ISA 600 (Revised).¹¹
27. In discussing these suggestions, the GC TF reconsidered the specific documentation requirements addressed by more recently revised ISAs, including those in ISA 540 (Revised) and ISA 600 (Revised). The GC TF remains of the view that the matters addressed by paragraph 44 of **Agenda Item 2–B.1** are the most relevant aspects for going concern related to the auditor's significant professional judgments that would help promote consistent practice and behavior by clarifying how paragraph 8 of ISA 230¹² applies. In addition, the GC TF continues to believe that it remains appropriate not to pursue suggestions for specific documentation requirements by applying a 'going concern lens' for matters addressed by foundational ISAs, recognizing that the performance requirements in proposed ISA 570 (Revised 2024) will drive the auditor's documentation obligation as contemplated in ISA 230.
28. The GC TF also considered whether an example should be provided in the application material to clarify that the requirement in subparagraph 44(a)(i) of **Agenda Item 2–B.1** may also include significant professional judgments made in relation to the period used by management in its assessment. However, on balance, the GC TF decided not to pursue such an example given that:
- (a) It could inadvertently deemphasize other documentation aspects that could be relevant to the auditor's significant professional judgments when concluding on the appropriateness of management's use of the going concern basis of accounting.
 - (b) A conforming and consequential amendment is proposed to paragraph A10 of ISA 230 to recognize that circumstances warranting documentation may include the basis for the auditor's conclusions on the reasonableness of management's subjective judgments in areas such as management's use of the going concern basis of accounting. These judgments may also extend to the appropriateness of the period used by management in its assessment, including circumstances when management is unwilling to extend its assessment.

Matter for IAASB Consideration:

1. The Board is asked for its views on proposed ISA 570 (Revised 2024), as presented in **Agenda Item 2–B.1**.

¹⁰ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

¹¹ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

¹² ISA 230, *Audit Documentation*

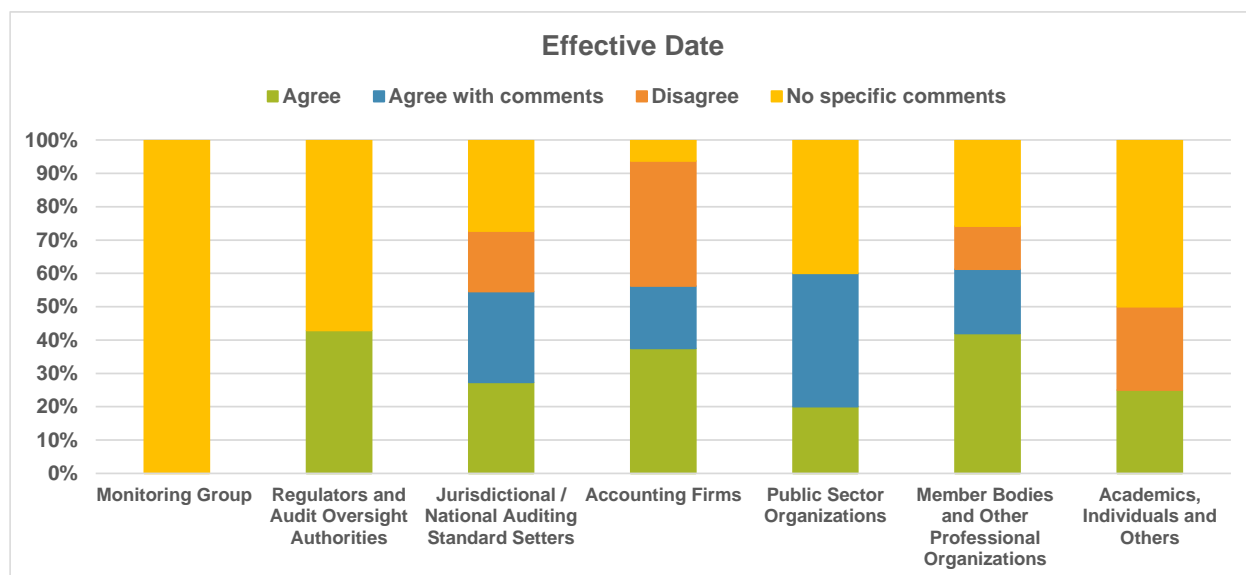
Section II – Effective Date

Highlights from Respondents Feedback

- Some views that a 24-month implementation date after approval of the final standard is a more reasonable proposal.
- Support for coordinating the proposed effective date with other IAASB projects that are considering changes to the auditor's report (e.g., with Fraud and Track 2 of the Listed entity and PIE project).

Overview of Responses

29. Question 17(b) of the EM accompanying ED-570 sought general comments from respondents on the effective date proposed as financial reporting periods beginning approximately 18 months after IAASB's approval of the final standard, with earlier application permitted or encouraged.
30. The chart below shows an analysis of the responses to question 17(b) per stakeholder group (see the separate NVivo reports in **Agenda Item 2–D.1 and 2–D.2** for further details):



Respondents' Comments

31. Respondents who supported the effective date noted that the proposed timeframe of approximately 18 months after the approval of the final pronouncement is reasonable for jurisdictions to implement the standard, including where translations are necessary.
32. Respondents who agreed with the proposed effective date and provided comments or had concerns:
- Strongly supported coordinating effective dates with the Fraud project, given that subsequent changes to the auditor's report in short succession should be avoided.
 - Commented that the effective date should also be coordinated with other IAASB standard-setting projects that are considering changes to the auditor's report to avoid creating confusion for users by successive changes (e.g., with Track 2 of the Listed entity and PIE project).
 - Expressed concern that encouraging early application may result in varying auditor's reports for the

same or similar periods within the marketplace, potentially causing confusion for users of financial statements.

- (d) Noted that the proposed effective date of 18 months after IAASB's approval of the final standard is the minimum period that should be considered given the need for development of implementation guidance, update of methodologies, templates, tools, and training processes to occur.
33. Respondents who did not support the proposed effective date generally noted their preference for a 24-months period between the final date of approval of the standard and its effectiveness. Views included that the revisions to ED-570 will have a direct impact on preparers of financial statements, users and other stakeholders. Therefore, sufficient time would be needed to educate the affected parties and implementation processes to take place (e.g., management may need to update their information system to capture information for an extended going concern assessment period). In addition, comments included that an implementation period of 18 months may not allow sufficient time for national adoption processes to occur, and consequently, may impact the adoption of the revised standard with a consistent effective date globally.
34. Respondents who did not support the proposed effective date also:
- (a) Believed a 24-month period is necessary to enable coordinating effective dates with the Fraud project, given the different stage of progress for this project.
 - (b) Encouraged a December effective date, given views that having standards become effective mid-year instead of the traditional calendar-year end, can be more burdensome and costly for firms to implement (e.g., because of off-cycle policy and guidance updates).

GC TF Recommendation for the Effective Date

Coordinating Effective Dates with Other IAASB Projects

35. The GC TF is of the view that aligning the effective dates with other IAASB projects that are currently considering changes to the auditor's report (i.e., the Fraud and Track 2 of the Listed entity and PIE project), remains a key public interest consideration as it would support effective implementation and avoid consecutive changes to the auditor's report in a short succession.
36. Also, stakeholder feedback encouraged coordination among the effective dates of the IAASB ongoing projects that may impact changes to the auditor's report. In addition, in coordinating with the Fraud and Listed entity and PIE projects, it was noted that respondents' feedback was predominantly supportive of the proposed effective dates for those projects, as follows:
- (a) The Exposure Draft for Proposed ISA 240 (Revised) (ED-240)¹³ proposed an effective date of at least 18 months after approval of the final pronouncement.
 - (b) The Exposure Draft for Track 2 of the Listed entity and PIE project proposed an effective date of at least 18-24 months after the PIOB's process of certification of the final narrow scope amendments.
37. Subject to the Board's approval of proposed ISA 570 (Revised 2024) in December 2024, it is expected that the PIOB's certification of the final pronouncement would take place in early April 2025.

¹³ See the [Exposure Draft \(ED-240\), Proposed ISA 240 \(Revised\): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#).

Considering the current timeline for finalization of the Fraud and Listed entity and PIE projects in March 2025 and December 2024, respectively, the GC TF propose an effective date for proposed ISA 570 (Revised 2024) to be for audits of financial statement for periods beginning on or after December 15, 2026 (i.e., 2027 calendar year audits). This would allow coordinating the effective dates between the Going Concern, Fraud and Track 2 of the Listed entity and PIE projects, as well as provide for a sufficient implementation period and for national adoption processes in jurisdictions to occur (i.e., subject to the outcome of relevant meetings, approximately 24 months after IAASB approval of the final standard and 21 months after PIOB certification).

Early Application

38. In view of respondents support to avoid subsequent changes to the auditor's report in short succession and the potential confusion for users if auditors' reports for the same or similar periods within the marketplace lack consistency, the GC TF recommend that the Board is silent on the application of proposed ISA 570 (Revised 2024) before the effective date to be specified therein. The GC TF will leverage the Basis for Conclusions document to emphasize the collective impact to the auditor's report as a result of the revisions contemplated by the Going Concern, Fraud and Listed entity and PIE projects, and not encourage early application to the auditor's report on a piecemeal basis.

Matters for IAASB Consideration:

2. The Board is asked:
- (a) Whether they agree with the GC TF summary of respondents' feedback for the effective date presented above, and whether there are any other significant issues raised by respondents that also should be considered?
 - (b) For its views on the GC TF recommendation for the effective date.

Section III – Conforming and Consequential Amendments

39. **Agenda Item 2–C** sets out the updates made to the conforming and consequential amendments to other ISAs as a result of the revision of proposed ISA 570 (Revised 2024). The paragraphs below discuss the key updates made.

Agreeing the Terms of Audit Engagements

40. To support auditors in complying with the extended commencement date of the twelve-months period of management's assessment required by proposed ISA 570 (Revised 2024), the GC TF proposed a conforming and consequential amendment to ISA 210¹⁴ to address the following matters:
- (a) Adding to the examples of matters that may be referenced in the engagement letter in paragraph A24 of ISA 210 the expectation of management to provide a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements.
 - (b) Illustrating in the example of an audit engagement letter in Appendix 1 of ISA 210 that additional

¹⁴ ISA 210, *Agreeing the Terms of Audit Engagements*

information requested from management for the purpose of the audit may include a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements.

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

41. Paragraph 29(b) of ISA 250 (Revised)¹⁵ refers only to responsibilities established by law or regulation, while the application material in paragraphs A28 and A31 of ISA 250 (Revised) addresses the 'right' to report to an appropriate authority. To remain consistent with the changes proposed to ISA 570 (Revised 2024) when reporting going concern matters to an appropriate authority outside of the entity, the GC TF have proposed to include 'rights' into paragraph 29(b) of ISA 250 (Revised).

Communicating Key Audit Matters (KAM)

42. The GC TF recognized in paragraph A1 of proposed ISA 570 (Revised 2024) 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 2024) and not within the KAM section. As a result, alignment changes were proposed to paragraph 15 of ISA 701.¹⁶
43. The GC TF considered but did not pursue, providing a reference in paragraphs A6 and A58 of ISA 701 to the significant judgments made by management in concluding that there is no material uncertainty as referred to in the Going Concern section. These paragraphs include a specific example that illustrates how the KAM section is presented when no other KAM are communicated beyond matters addressed in the Basis for Qualified (Adverse) Opinion section or the Material Uncertainty Related to Going Concern section of the auditor's report. Consequently, it would be illogical to imply that a going concern matter could be reported as both a material uncertainty and a 'close call' situation in a single auditor's report.

Illustrative Auditor's Reports

44. Conforming amendments were made to the illustrative auditor's reports included in the appendices of ISA 510,¹⁷ and ISAs of the 700 and 800 series to align with the changes in the proposed standard. This included adding:
- (a) A subtitle, when applicable, to clearly signpost that no material uncertainty exists.
 - (b) Context to the explicit statements to enhance users' understanding that such statements are not an opinion on a discrete matter in the audit or a guarantee of the entity's ability to continue as a going concern.
 - (c) Aligning the order of the statements presented in the Material Uncertainty Related to Going Concern section with the changes proposed to illustrations 3–6 of proposed ISA 570 (Revised 2024).
45. In addition, for the illustrations of the ISAs in the 800 series, the GC TF:
- (a) Considered suggestions to clarify the circumstances in illustrations 1 and 2 of ISA 800

¹⁵ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

¹⁶ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁷ ISA 510, *Initial Audit Engagements—Opening Balances*

(Revised)¹⁸ to be explicit that the going concern basis of accounting is relevant to the special purpose framework. However, the GC TF believes that such clarification is not necessary, given that the circumstances illustrated are clear that ISA 570 (Revised 2024) applies and because it may cause confusion relative to the other illustrative reports presented in the appendices of the ISAs of the 800 series. In addition, both paragraph A15 of ISA 800 (Revised) and paragraph 2 of proposed ISA 570 (Revised 2024) explain that there is conditionality when it comes to special purpose financial statements which may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant.

- (b) Removed the auditor's statement about the appropriateness of management's use of the going concern basis of accounting from Illustration 1 of the Appendix in ISA 810 (Revised).¹⁹ This is because the conforming amendments to paragraph 19 of ISA 810 (Revised) require a description of the *matter* referred to in the Material Uncertainty Related to Going Concern section or the *significant judgments made by management in concluding that there is no material uncertainty* referred to in the Going Concern section, but does not require the other auditor's statements as required by ISA 570 (Revised 2024) to be replicated in the auditor's report on the summary financial statements.

Matter for IAASB Consideration:

3. The Board is asked for its views on the conforming and consequential amendments as a result of the revisions to ISA 570 (Revised 2024), as presented in **Agenda Item 2–C**.

Section IV – Due Process Considerations

Significant Matters Raised by Respondents

46. In the GC TF view, the significant matters that were identified as a result of its deliberations since the beginning of this project, including the significant matters raised by respondents to ED-570, and its conclusions and recommendations thereon, have been carefully considered. The GC TF analysis of the significant matters and proposals have been reflected in the public agenda materials presented to the IAASB at its meetings. In the GC TF view, there are no significant matters discussed in the course of this project that have not been brought to the IAASB's attention.

Need for Further Consultation

47. The GC TF considered the adequacy of consultation with stakeholders that has been undertaken, and in particular with stakeholder groups that may be under-represented in submitting comment letters, such as investors or other users of financial statements. Given that no written responses to ED-570 had been received from investors or other users of financial statements, in March and April 2024, the GC TF engaged with such stakeholders to supplement the feedback from the written responses.
48. During its April 2024 meeting, input was sought from the Stakeholder Advisory Council (SAC) on

¹⁸ ISA 800 (Revised), *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*

¹⁹ ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*

certain public interest issues from the feedback to ED-570 where there was a range of views from respondents. The GC TF has considered this input when developing revisions to proposed ISA 570 (Revised 2024) post exposure.

49. The GC TF does not believe that a consultation paper, field testing, or a roundtable is warranted. The GC TF has also had the opportunity to engage with various other stakeholders throughout the life cycle of this project, including undertaking additional outreach with investors or other users, prudential regulators, MG members, the Forum of Firms, IFAC's SMPAG and Jurisdictional and National Standard Setters (NSS). Finally, this project has benefited from coordination with the International Ethics Standard Board for Accountants (IESBA) and from liaison and engagement with accounting standard-setting bodies, such as continued dialogue with the IASB and IPSASB.

Consideration of the Need for Re-Exposure

50. If the Board votes to approve proposed ISA 570 (Revised 2024), then a separate affirmative vote of the Board is required on whether the standard needs to be re-exposed. Based on the draft as presented in **Agenda Item 2-B**, and prior to any changes proposed at the December 2024 IAASB meeting, the GC TF is of the view that proposed ISA 570 (Revised 2024) does not warrant re-exposure.
51. The IAASB's due process set out relevant matters for re-exposure.²⁰ The principal consideration therein is 'whether there has been substantial change to the exposed document such that re-exposure is necessary.' The related working procedures, which support the due process, include three examples of situations that may constitute potential grounds for a decision to re-expose:
- (a) Substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion;
 - (b) Substantial change arising from matters not previously deliberated by the IAASB; or
 - (c) Substantial change to the substance of a proposed international pronouncement.
52. The overall tone of the comment letters to the ED-570 was positive, however there were some areas where suggestions were made by respondents on how the proposals could be strengthened or clarified. The GC TF thoroughly considered these matters in developing the revisions to proposed ISA 570 (Revised 2024) post ED-570. The key revisions to the requirements since ED-570 are presented in **Agenda Item 2-E** and are also summarized in the table below:

Agenda Item 2-B Ref. Para.	Key Revision since ED-570
<i>Definition of Material Uncertainty (Related to Going Concern)</i>	
Paragraph 10	<ul style="list-style-type: none"> The reference to 'auditor's professional judgment' was removed from the definition to foster common understanding among auditors and preparers for the concept of a material uncertainty.

²⁰ See the IAASB's [Due Process and Working Procedures](#), paragraphs 23 and A40-A42.

Agenda Item 2-B Ref. Para.	Key Revision since ED-570
	<ul style="list-style-type: none"> The reference to ‘disclosures’ was moved from the definition to the application material of the section addressing adequacy of disclosures. The explanation for the phrase ‘may cast significant doubt’ was elevated from the application material to the definition, given the importance of this key concept to proper understanding and performing the requirements of the standard.
<i>Risk Assessment Procedures and Related Activities</i>	
Paragraph 11	<ul style="list-style-type: none"> The wording of the requirement was clarified to convey more clearly the notion that management has primary responsibility to identify events or conditions, and that applying the principles of ISA 315 (Revised 2019)²¹ in the context of going concern aims to support the auditor in obtaining audit evidence that provides an appropriate basis for determining whether events or conditions have been identified that may cast doubt, in addition to those identified by management. The explanation from the application material that events or conditions are identified on a gross basis was elevated to the requirement given the need to provide more prominence to this important principle.
<i>Evaluating Management’s Assessment</i>	
Paragraph 16	<ul style="list-style-type: none"> A clearer distinction was made between management refusing to <i>make</i> an assessment or having made an assessment, management is unwilling to <i>extend</i> its assessment.
Paragraph 17	<ul style="list-style-type: none"> Emphasis was provided in the requirement that the auditor’s obligation to evaluate management’s assessment includes the significant judgments on which management’s assessment is based.
Paragraph 19	<ul style="list-style-type: none"> Clarifying language was included in the requirement to support scalability of the auditor’s work in relation to evaluating the method, significant assumptions and data. The requirements for assumptions were clarified to include evaluating only the <i>significant</i> assumptions. The requirements for evaluating the data were strengthened.
Paragraph 20	<ul style="list-style-type: none"> Application material was elevated to the requirement to provide clarity for the auditor’s further actions when inquiries of management indicate knowledge of events or conditions beyond management’s assessment.

²¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

Agenda Item 2-B Ref. Para.	Key Revision since ED-570
Paragraph 25	<ul style="list-style-type: none"> The requirement was strengthened 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.
<i>Evaluating Management's Plans for Future Actions</i>	
Paragraph 26	<ul style="list-style-type: none"> Alignment changes were necessary given the changes proposed to the definition of Material Uncertainty (Related to Going Concern).
Paragraph 27	<ul style="list-style-type: none"> A new requirement was included to make it explicit that when management's plans for future actions are based on a forecast, then the requirements to evaluate the assumptions and data apply.
Paragraph 28	<ul style="list-style-type: none"> The auditor's obligation to obtain audit evidence for financial support from third or related parties, including the entity's owner-manager was reinforced.
<i>Information Becomes Available After the Date of the Auditor's Report</i>	
Paragraph 29	<ul style="list-style-type: none"> In response to comments, the wording of the requirement was aligned more closely with paragraph 10 of ISA 560.²²
<i>Adequacy of Disclosures</i>	
Paragraph 32	<ul style="list-style-type: none"> The requirement was enhanced to be clear that the auditor is required to determine whether the financial statements adequately disclose the significant judgments made by management in concluding that there is no material uncertainty. This serves to emphasize the expectation of adequate disclosure in these circumstances.
<i>Implications for the Auditor's Report</i>	
Paragraphs 34–36	<ul style="list-style-type: none"> Clarifying language was included in the explicit statements about going concern in the auditor's report to support users understanding that they are not an opinion on a discrete matter in the audit or a guarantee of the future viability of the entity. The threshold that triggers the enhanced communication in the auditor's report for listed entities was clarified to refer to 'significant judgments made by management.'
<i>Written Representations</i>	
Paragraphs 39–40	<ul style="list-style-type: none"> Given the more robust approach in the revised standard to evaluate management's assessment in all instances and irrespective of whether

²² ISA 560, *Subsequent Events*

Agenda Item 2-B Ref. Para.	Key Revision since ED-570
	events or conditions are identified that may cast significant doubt, the written representations required from management were also enhanced.
<i>Communications with Those Charged with Governance (TCWG)</i>	
Paragraphs 41–42	<ul style="list-style-type: none"> The importance of timely communications with TCWG was recognized in the requirements.
<i>Reporting to an Appropriate Authority Outside of the Entity</i>	
Paragraph 43	<ul style="list-style-type: none"> The requirement was extended to also address the right to report in addition to responsibilities to report established by law or regulation.
<i>Documentation</i>	
Paragraph 44	<ul style="list-style-type: none"> Specific documentation requirements were introduced for going concern to help promote consistent practice and behavior when applying ISA 230.

53. The GC TF considered the major changes in the relevant requirements from ED-570, as shown in the table above, and considers that re-exposure is not necessary. These changes clarify, but do not substantially alter, the key elements addressed in ED-570, nor have they resulted in a departure from the objectives in paragraph 19 of the project proposal to revise ISA 570 (Revised).
54. In addition, the GC TF notes that:
- There are no substantial changes to the key concepts of the project. All the key elements presented in ED-570 have been retained. Some of these elements have been modified, clarified or strengthened in response to comments received on exposure and related outreach and coordination activities.
 - No new key concepts have been introduced.
 - The changes to the text post-exposure are in response to feedback from respondents to ED-570 and do not fundamentally or substantively change the proposals in ED-570.
55. Further, the GC TF is of the view that re-exposing proposed ISA 570 (Revised 2024) will not result in new information or concerns that have not been aired already through the comment letters or the subsequent outreach activities as presented in paragraphs 5-10 of this Agenda Item, and as addressed in other agenda materials post exposure.

Section V – Way Forward

Basis for Conclusions

56. Subject to the Board's approval of the final pronouncement of ISA 570 (Revised 2024) in December 2024, the GC TF intends to leverage the Basis for Conclusions²³ document to provide further explanation of some matters relevant to understanding the meaning and intent of certain provisions that will aid implementation. For example, among other matters that are usually addressed by a Basis for Conclusions document, the GC TF intends to update the chart presented in the EM accompanying ED-570 depicting a walkthrough of the auditor's decision-making process in respect of whether a material uncertainty related to going concern exists, as reflected in the final requirements of the revised standard.

Implementation

57. In addition to the publication of the final standard and the Basis for Conclusions document, it is anticipated that a general fact sheet is also developed to facilitate stakeholders' understanding of the key changes introduced by the revised standard.
58. Also, as part of the other first-time implementation activities, the GC TF intends to update the:
- (a) Non-authoritative support material released in August 2022 that addressed some of the common questions in relation to the use of and the interrelationship of Material Uncertainty Related to Going Concern and KAM sections, and Emphasis of Matter paragraphs, in the auditor's report²⁴ in view of the new auditor reporting model for going concern introduced by the revised standard.
 - (b) Short video series on going concern to explain the key revisions made for going concern.
59. Staff will continue to coordinate with other IAASB Consultation Groups given their ongoing mandates to provide guidance, as applicable, and monitor the implementation of the revised standard as anticipated by the IAASB's Framework for Activities. In addition, the ongoing engagement with the IASB, including on the topic of going concern, will continue as part of the IAASB-IASB liaison working group activities.

²³ The Basis for Conclusions document will be circulated to the Board for fatal flaw comments, in due course after the December 2024 IAASB meeting.

²⁴ See the Frequently Asked Questions (FAQ): [Reporting Going Concern Matters in the Auditor's Report](#).

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 September 2024, the GC TF held 2 virtual meetings.
4. Paragraphs 5-11 provide information about outreach and coordination activities undertaken since September 2024.

Monitoring Jurisdictional Developments

5. The Governmental Accounting Standards Board (GASB) is currently working on a project to address issues related to disclosures regarding going concern uncertainties and severe financial stress.²⁵ The scope of the project will consider: (i) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate; (ii) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (iii) what information about a government's exposure to severe financial stress is necessary to disclose. An exposure draft is expected to be approved for public comment in December 2024.
6. In November 2024, the Public Company Accounting Oversight Board (PCAOB) announced its updated standard-setting agenda of projects²⁶ that anticipates approval of a proposal for revising AS 2415, *Consideration of an Entity's Ability to Continue as a Going Concern* in 2025. The project considers the auditor's evaluation and reporting of a company's ability to continue as a going concern in response to changes in financial reporting, the auditing environment and stakeholder needs.

²⁵ See [Going Concern Uncertainties and Severe Financial Stress \(gasb.org\)](https://www.gasb.org/).

²⁶ See [Standard-Setting, Research, and Rulemaking Projects | PCAOB](https://www.pcaob.org/).

Appendix 2

Approach for the Walkthrough of Agenda Item 2–B.1 and 2–B.2

Section of Proposed ISA 570 (Revised 2024)	Paragraphs in Agenda Items 2-B.1 and 2-B.2
Introduction, Objectives, Definition and Risk Assessment Procedures and Related Activities	1–15; A1–A32
Evaluating Management’s Assessment	16–25; A33–A58
Evaluating Management’s Plans for Future Actions, Information Becomes Available After the Date of the Auditor’s Report and Evaluating the Audit Evidence Obtained and Concluding	26–31; A59–A72
Adequacy of Disclosures and Implications for the Auditor’s Report	32–38; A73–A96; Appendix
Written Representations, Communication with TCWG, Reporting to an Appropriate Authority Outside of the Entity and Documentation	39–44; A97–A105

Appendix 3

Mapping the Key Changes Proposed for ISA 570 (Revised 2024) to the Actions and Objectives in the Project Proposal that Support the Public Interest

1. This appendix maps the revisions of ISA 570 (Revised 2024) to the actions and objectives in the project proposal that support the public interest. It also highlights what qualitative standard-setting characteristics were at the forefront, or of most relevance, when determining how to address each proposed action. The qualitative characteristics considered, including why such characteristics are of importance for the proposals, are as follows:
 - (a) *Scalability* – addresses both less and more complex circumstances, commensurate with the nature and circumstances of the entity (e.g., through the scalability examples provided in the application material and by explicitly recognizing in the requirements of the standard that the audit procedures to evaluate the method, significant assumptions and data used by management taking into account the auditor’s risk assessment procedures performed, including the nature and circumstances of events or conditions that may cast doubt).
 - (b) *Proportionality* – addresses the issues in a proportionate manner by considering the relative impact that the proposals may have on different users (e.g., by considering the differing needs or heightened expectations of intended users to appropriately identify those requirements that are specifically relevant to the audits of financial statements of listed entities).
 - (c) *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments and technology (e.g., through robustly addressing the auditor’s identification of going concern-related events or conditions, the impact of events or conditions subsequent to the period of management’s assessment of going concern, and enhanced application material addressing the use of automated tools and techniques).
 - (d) *Clarity and conciseness*, including overall *understandability* – addresses minimizing the likelihood of differing interpretations (e.g., in relation to the proposed definition of Material Uncertainty (Related to Going Concern) and other clarifications proposed related to terminology, as well as providing clear and definitive direction on key matters such as the timeline of the going concern assessment, the auditors evaluation of management’s assessment, and communication and auditor reporting requirements).
 - (e) *Implementability* and ability of being *consistently applied and globally operable* – focuses on improving comparability and consistency across auditor reports globally about the auditor’s responsibilities and work related to going concern (e.g., by reporting going concern matters in the auditor’s report either in a section on Going Concern or Material Uncertainty Related to Going Concern and by reinforcing the benefit to users of a management’s assessment of going concern that includes more current information).

- (f) *Coherence* – with the overall body of ISAs (e.g., by building appropriately on the foundational requirements in ISA 315 (Revised 2019) and adequately articulating the concepts introduced from ISA 540 (Revised), such as in relation to the auditor's evaluation of management's method, significant assumptions and data).

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
A. Project Objective: Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern.			
B. Project Objective: Strengthen the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism.			
AB.1: Requirements and Application Material – Risk Identification and Assessment <i>Enhance requirements and application material through making targeted revisions to ISA 570 (Revised) to drive the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern.</i> In doing so, more explicitly emphasizing the going concern aspects of the auditor’s understanding of the entity and the entity’s system of internal control (including how management undertakes the assessment of going concern) when identifying and assessing risks of material misstatement in accordance with ISA 315 (Revised 2019).	Paras. 11–15	<i>Requirements</i> Enhanced and new requirements to: <ul style="list-style-type: none">• Enable a more robust approach for performing risk assessment procedures that will enable the auditor to timely determine, based on audit evidence obtained, whether events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern.• Perform risk assessment procedures related to going concern matters to obtain an understanding about the entity and its environment, the applicable financial reporting framework and the entity’s system of internal control by building on the foundational requirements in ISA 315	<ul style="list-style-type: none">• <i>Scalability</i>• <i>Relevance</i>• <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i>• <i>Coherence</i>

²⁷ The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, when determining how to address each proposed action.

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
		(Revised 2019).	
	Paras. A7–A10; A12–A32	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> Address scalability. In particular, to provide examples that demonstrate where the nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity. Provide more current examples of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Strengthen the link to ISA 240²⁸ where the identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern may also be indicative of fraud risk factors. Provide guidance and examples in respect of the auditor's application of ISA 315 (Revised 2019) through a 'going concern lens.' 	
AB.2: Requirements or Application Material – Timeline for Assessment <i>Consider enhancing the requirements or application</i>	Paras. 21–23; 29	<p><i>Requirements</i></p> <ul style="list-style-type: none"> Change in the commencement date of the twelve-month period of management's 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>

²⁸ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
<p><i>material to:</i></p> <ul style="list-style-type: none"> • <i>Extend the timeline for the assessment period to at least twelve months from the date of approval of the financial statements, or the date the auditor's report is signed.</i> • <i>Evaluate the reasonableness of management's assessment period based on conditions specific to the entity's facts and circumstances, including subsequent events.</i> <p>In doing so, consider applicable financial reporting framework requirements that address the timeline for assessment.</p>		<p>assessment, which is used as the basis for the auditor's evaluation, from the date of the financial statements to the date of approval of the financial statements.</p> <ul style="list-style-type: none"> • Enhanced requirements and stronger links to ISA 560 if information becomes available after the date of the auditor's report but before the financial statements are issued. • Strengthened requirements when management is unwilling to make or extend its assessment. 	<ul style="list-style-type: none"> • <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i>
	Paras. A50–A57; A66	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> • Explain that management and TCWG may provide the auditor additional information to support the appropriateness of the period used by management in its assessment or about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. • Emphasize that the level of detail and formality of management's update to extend its assessment may vary from entity to entity and that a less formal update or lack of detailed analysis to support the update may not necessarily prevent the auditor from 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
		<p>concluding on the appropriateness of management's use of the going concern basis of accounting.</p> <ul style="list-style-type: none"> Support practical application of the auditor's request to management to extend its commencement period of assessment such as make management aware, at sufficiently early stages of the audit engagement, of the request to management for a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements. 	
AB.3: Requirements or Application Material – Information from Sources External to the Entity <ul style="list-style-type: none"> <i>Enhance application material to emphasize consideration of information from sources external to the entity (e.g., media releases, industry outlooks) when evaluating whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.</i> <i>Enhance requirements or application material to clarify the considerations, including the intent and ability, related to when written evidence to provide financial support is obtained from a third-party, and for whether and in what circumstances this constitutes sufficient appropriate audit evidence.</i> 	Para. 26–28	<i>Requirements</i> <ul style="list-style-type: none"> New requirement for the auditor to obtain audit evidence about the intent and ability of a third or related party, including the entity's owner-manager, when financial support by such parties is necessary to support management's assessment of going concern. 	<ul style="list-style-type: none"> <i>Scalability</i> <i>Relevance</i>
	Paras. A17; A28; A59–A65	<i>Application Material</i> New application material to: <ul style="list-style-type: none"> Provide guidance for the auditor's consideration of requesting a written confirmation from third or related parties, including the entity's owner-manager, and 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
		<p>for the terms and conditions of borrowing facilities, including scalability considerations.</p> <ul style="list-style-type: none"> • Provide guidance when finance providers are reluctant to confirm to an entity or the auditor that borrowing facilities will be renewed. • Emphasize how information from sources external to the entity can be leveraged in the auditor's work related to going concern. 	
<p>AB.4: Definitions and Application Material – ‘Material Uncertainty Related to Going Concern’ and Other Terminology in ISA 570 (Revised)</p> <p><i>Consider if it is necessary to describe or define ‘Material Uncertainty Related to Going Concern’ and enhance application material to clarify key concepts such as ‘significant doubt,’ and other related terminology.</i></p> <p>In doing so, consider:</p> <ul style="list-style-type: none"> • The importance of alignment between definitions and descriptions set out in financial reporting frameworks and the auditing standards. • How NSS have addressed this issue at jurisdictional levels. 	Paras. 10; A5–A6	<p><i>Definition</i></p> <ul style="list-style-type: none"> • Introducing a newly defined term, with supporting application material – ‘Material Uncertainty (Related to Going Concern)’ that encapsulates an explanation for the phrase ‘may cast significant doubt.’ 	<ul style="list-style-type: none"> • <i>Clarity and conciseness</i> • <i>Implementability, and ability of being consistently applied and globally operable</i>
<p>AB.5: Application Material – Technology</p> <p><i>Enhance application material in ISA 570 (Revised) to</i></p>	Paras. A7; A13; A42;	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • Enhanced and new application material to 	<ul style="list-style-type: none"> • <i>Relevance</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
<p><i>reflect the auditor's use of technology to perform the auditor's work related to going concern.</i></p> <p>In doing so, remaining mindful of maintaining a balance of not 'dating' the standard by referring to technologies that may change and evolve, including consulting with a technology expert(s) or the Technology Consultation Group, as needed.</p>	A46	incorporate examples of automated tools and techniques and emphasize the impact of technology on the auditor's work related to going concern.	
<p>AB.6: Requirements and Application Material – Management's Assessment of Going Concern</p> <p><i>Enhance requirements and application material to strengthen the auditor's evaluation of management's assessment of going concern.</i></p> <p>In doing so, applying the concepts introduced in ISA 540 (Revised), such as in relation to the auditor's evaluation of management's method, assumptions and data, and recognizing circumstances when specialized knowledge or skill is needed.</p>	Paras. 16–17; 19; 24–25; 39–40; 44	<p><i>Requirements</i></p> <p>Enhanced and new requirements to:</p> <ul style="list-style-type: none"> • Perform audit procedures to evaluate management's assessment of going concern, 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. • Perform audit procedures to evaluate the method, significant assumptions and data used by management to make its assessment of going concern by leveraging concepts in ISA 540 (Revised). In doing so, to take into account the results of the risk assessment procedures performed, including the nature and circumstances of events or conditions. • To explicitly request management to update its assessment and for the auditor to perform audit procedures, when necessary, on such 	<ul style="list-style-type: none"> • <i>Scalability</i> • <i>Clarity and conciseness</i> • <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i> • <i>Coherence</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
		<p>revised assessment when the auditor identifies events or conditions that may cast doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor.</p> <ul style="list-style-type: none"> • Strengthening the written representation requirements from management, given the more robust approach in the standard to evaluate management's assessment in all instances. • Introducing specific documentation requirements for going concern to help promote consistent practice and behavior when applying ISA 230. 	
	Paras. A33–A36; A38–A46; A58; A97	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> • Explain what is to be understood under 'method' in the context of the standard, including that a method for assessing going concern may be based on using qualitative or quantitative information that involve applying assumptions and data. • Address scalability. In particular, to provide examples that demonstrate how the auditor's procedures may vary depending on the method, assumptions and data used by management to assess the entity's ability to continue as a going concern. 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
		<ul style="list-style-type: none"> More robustly challenge the method, assumptions and data used by management to make its assessment of going concern, including to consider the risk of management bias. 	
AB.7: Requirements and Application Material – Professional Skepticism <i>Emphasize the robust exercise of professional skepticism when performing procedures related to going concern, through:</i> <ul style="list-style-type: none"> <i>Enhancing requirements and application material for the auditor to design and perform procedures that are not biased towards obtaining audit evidence that may be corroborative or towards excluding evidence that may be contradictory.</i> <i>Enhancing requirements and application material for the auditor to evaluate whether judgments made by management in making their assessment, even if they are individually reasonable, include indicators of possible management bias.</i> <i>Using action-oriented language in the revised standard.</i> <p>In doing so, take into account how the concept of professional skepticism has been incorporated in</p>	Paras. 18; 30	<i>Requirements</i> <ul style="list-style-type: none"> New requirement to emphasize the importance of professional skepticism when evaluating management’s assessment in a manner that is not biased towards obtaining audit evidence that may be corroborative or excluding audit evidence that may be contradictory. New requirement to evaluate whether the judgments and decisions made by management in making its assessment of going concern, even if they are individually reasonable, are indicators of possible management bias. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Coherence</i>
	Paras. A11; A37; A67–A71	<i>Application Material</i> <ul style="list-style-type: none"> Enhanced link to the requirement in ISA 315 (Revised 2019) for the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
recently revised standards (e.g., ISA 315 (Revised 2019) and ISA 540 (Revised)).		<p>be contradictory.</p> <ul style="list-style-type: none"> New application material to emphasize the relevance of identifying indicators of possible management's bias and the impact to the audit. 	
C. Project Objective: Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.			
C.8: Requirements and Application Material – Communication with TCWG <i>Enhance the requirements and application material to strengthen required communications with TCWG, including encouraging more appropriate two-way communication, addressing the timeliness of the communications, and emphasising the ongoing nature of communications with TCWG.</i>	Paras. 12(f); 41–42	<i>Requirements</i> <ul style="list-style-type: none"> Strengthened communication requirements with TCWG to enhance transparency and timely, two-way communication throughout the audit when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. New requirement to obtain an understanding, as part of the risk assessment procedures and related activities, how TCWG exercise oversight over management's assessment of going concern. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>
	Paras. A21–A22; A98–A101	<i>Application Material</i> <ul style="list-style-type: none"> New application material in support of the proposed requirements and added emphasis for circumstances when it may be appropriate to consider whether a significant 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
		deficiency in internal control related to going concern should be communicated to TCWG.	
C.9: Requirements and Application Material – Communication with Appropriate External Parties <i>Enhance the requirements and application material in ISA 570 (Revised) with respect to the auditor's communications with external parties, including with relevant regulatory authorities (as applicable), when issues are identified relating to going concern, including instances when no further action is taken by management or TCWG.</i> In doing so, monitor any implementation feedback for extended communication requirements made in certain jurisdictions and consider if similar changes on a global level would be useful.	Para. 43	<i>Requirements</i> <ul style="list-style-type: none"> New requirement for the auditor to consider whether law or regulation require or establish responsibilities or rights under which reporting is required to an appropriate authority for circumstances when a Material Uncertainty Related to Going Concern is included in the auditor's report or a modified opinion is issued. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>
	Paras. A102–A105	<i>Application Material</i> <ul style="list-style-type: none"> Examples and factors for the auditor to consider when reporting to an appropriate authority, including to consider the timing of such communication. 	
C.10: Requirements and Application Material – Transparency About Going Concern in the Auditor's Report <i>Enhance the requirements and application material in ISA 570 (Revised), where appropriate, to increase transparency in the auditor's report about the auditor's responsibilities and work related to going concern.</i> This includes considering enhancing auditor reporting for situations where:	Paras. 32–33; 34–38	<i>Requirements</i> New requirements to: <ul style="list-style-type: none"> Provide explicit statements about going concern in a separate section of the auditor's report when the basis of accounting is appropriate, and no material uncertainty exists. When significant judgments are made by management in concluding that no material 	<ul style="list-style-type: none"> <i>Proportionality</i> <i>Relevance</i> <i>Clarity and conciseness</i> <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered ²⁷
	Paragraph	Description	
<ul style="list-style-type: none"> The auditor concludes that no material uncertainty exists, and management's use of the going concern assumption is appropriate. Significant judgment was required to conclude that no material uncertainty related to going concern exists, after having identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (i.e., 'close call' situations). A 'Material Uncertainty Related to Going Concern' paragraph is required (i.e., to expand the informational content of such paragraph to describe how the auditor addressed this matter in the audit). 		<p>uncertainty exists or when a Material Uncertainty Related to Going Concern section is provided, describing in the auditor's report of a listed entity how the auditor evaluated management's assessment of going concern.</p> <ul style="list-style-type: none"> Clarified requirements regarding the adequacy of disclosures, including the expectation of the auditor to determine whether the financial statements provide adequately disclosure the significant judgments made by management in concluding that there is no material uncertainty. 	
	Paras. A73–A77; A78–A96; Appendix	<p><i>Application Material</i></p> <ul style="list-style-type: none"> New application material, leveraging on ISA 701, to support consistent application of the proposed auditor reporting requirements. New application material to clarify when the auditor would expect disclosures and factors to consider regarding the amount of detail to be provided in the auditor's report to describe how the auditor evaluated management's assessment. 	