

Going Concern

Edo Kienhuis

Going Concern Task Force (GC TF) Chair

IAASB Meeting

December 9-12, 2024

GC TF and Staff



Project Objectives that Support the Public Interest

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

B. Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism

C. Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements

Drivers for the Project

- Corporate failures across the globe
- Heightened risks such as conditions resulting from war and the global pandemic
- Ongoing uncertainties in the broader economic environment and a spotlight on the topic of going concern

Timeline & Milestones



Going Concern Project



23

Task Force Meetings



78

ED-570 Written Responses



11

Board Discussions



20+

Project Specific Outreach
Meetings since ED-570

Activities and Outreach since September 2024



Liaison and Engagement with Accounting Standards Setting Bodies

- Discussions with IASB & IPSASB



Stakeholder Outreach

- Engagement with SMPAG
- American Institute of Certified Public Accountants (AICPA)*



Other Activities

- Coordination with other IAASB task forces
- Monitoring jurisdictional developments

Walkthrough of Proposed ISA 570 (Revised 2024)



Follow the order outlined in **Appendix 2 of Agenda Item 2**



Comments on proposed ISA 570 (Revised 2024) presented in **Agenda Item 2–B.1**

Walkthrough of Proposed ISA 570 (Revised 2024)

Introduction; Scope; Objectives; Definition; Risk Assessment
Procedures and Related Activities

**Requirements
(Paragraphs in Agenda Item 2-B)**

1 – 15

**Application Material
(Paragraphs in Agenda Item 2-B)**

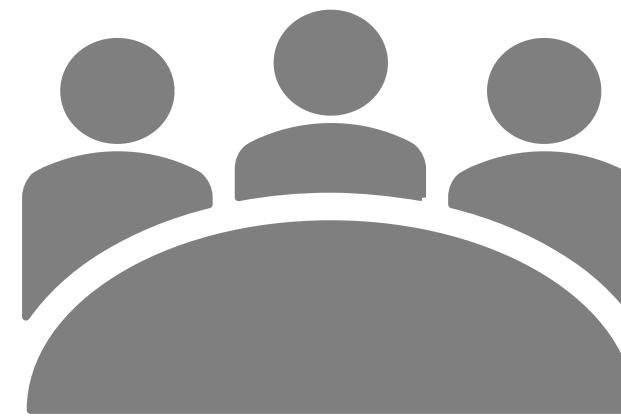
A1 – A32

Matter for IAASB Consideration

Introduction; Scope; Objectives; Definition;
Risk Assessment Procedures and Related
Activities

Question 1

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



Requirements:
1 – 15
Application Material:
A1 – A32

Walkthrough of Proposed ISA 570 (Revised 2024)

Evaluating Management's Assessment

**Requirements
(Paragraphs in Agenda Item 2-B)**

16 – 25

**Application Material
(Paragraphs in Agenda Item 2-B)**

A33 – A58

Method, Significant Assumptions and Data

Paragraph 19

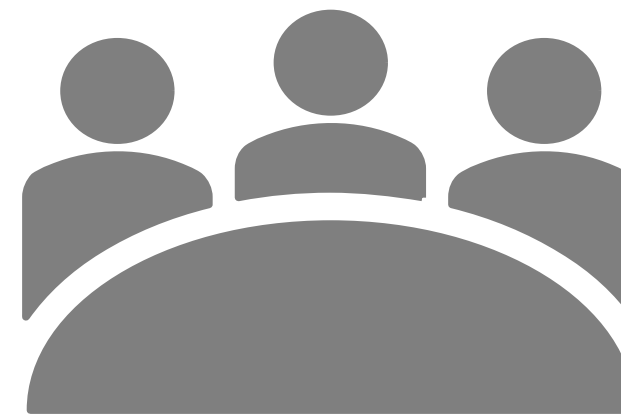
- Phrase '*assessed risks in relation to the entity's ability to continue as a going concern*' removed
- Phrase '*the auditor takes into account the results of the risk assessment procedures performed, including the nature and circumstances of events or conditions*' added instead
- Paragraph separated into two sentences for clarity and understandability

Matter for IAASB Consideration

Evaluating Management's Assessment

Question 1

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



Requirements:
16 – 25
Application Material:
A33 – A58

Walkthrough of Proposed ISA 570 (Revised 2024)

Evaluating Management's Plans for Future Actions; Information Becomes Available After the Date of the Auditor's Report; Evaluating the Audit Evidence Obtained and Concluding

**Requirements
(Paragraphs in Agenda Item 2-B)**

26 – 31

**Application Material
(Paragraphs in Agenda Item 2-B)**

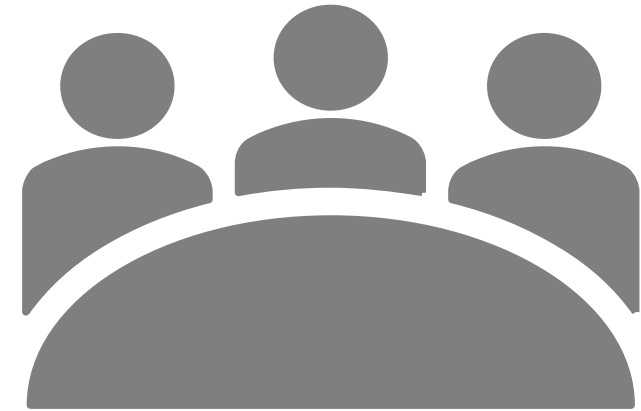
A59 – A72

Matter for IAASB Consideration

Evaluating Management's Plans for Future Actions; Information Becomes Available After the Date of the Auditor's Report; Evaluating the Audit Evidence Obtained and Concluding

Question 1

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



Requirements:
26 – 31
Application Material:
A59 – A72

Walkthrough of Proposed ISA 570 (Revised 2024)

Adequacy of Disclosures; Implications for the Auditor's Report

Requirements (Paragraphs in Agenda Item 2-B)

32 – 38

Application Material (Paragraphs in Agenda Item 2-B)

A73 – A96; Appendix

Adequacy of Disclosures

Paragraph 32

- Clarified the requirement to address the expectation for the auditor to determine whether the financial statements provide adequate disclosures about significant judgment made by management in concluding that there is no material uncertainty

Matter for IAASB Consideration

Adequacy of Disclosures; Implications for the Auditor's Report

Question 1

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



Requirements:
32 – 38
Application Material:
A73 – A96; Appendix

Walkthrough of Proposed ISA 570 (Revised 2024)

Written Representations; Communication with TCWG; Reporting to an Appropriate Authority Outside of the Entity; Documentation

**Requirements
(Paragraphs in Agenda Item 2-B)**

39 – 44

**Application Material
(Paragraphs in Agenda Item 2-B)**

A97 – A105

Documentation

Paragraph 44

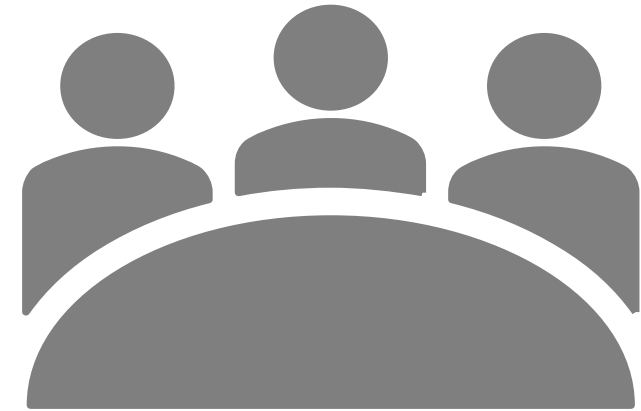
- Retained only the most relevant aspects related to the auditor's significant professional judgements for going concern
- Unnecessary to call out the significant professional judgments related to the period used by management
 - Aspect already addressed by paragraph 44(a)(i)
 - Conforming and consequential amendment made to paragraph A10 of ISA 230

Matter for IAASB Consideration

Written Representations; Communication
with TCWG; Reporting to an Appropriate
Authority Outside of the Entity;
Documentation

Question 1

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



Requirements:
39 – 44
Application Material:
A97 – A105

Effective Date – What we Heard

- Support for coordinating the effective date with other IAASB projects considering changes to the auditor's report
- Views that:
 - A 24-months period after final approval is more reasonable for effective implementation
 - Encouraging early application may result in varying auditor's reports for the same period in the marketplace

Effective Date – GC TF Recommendation

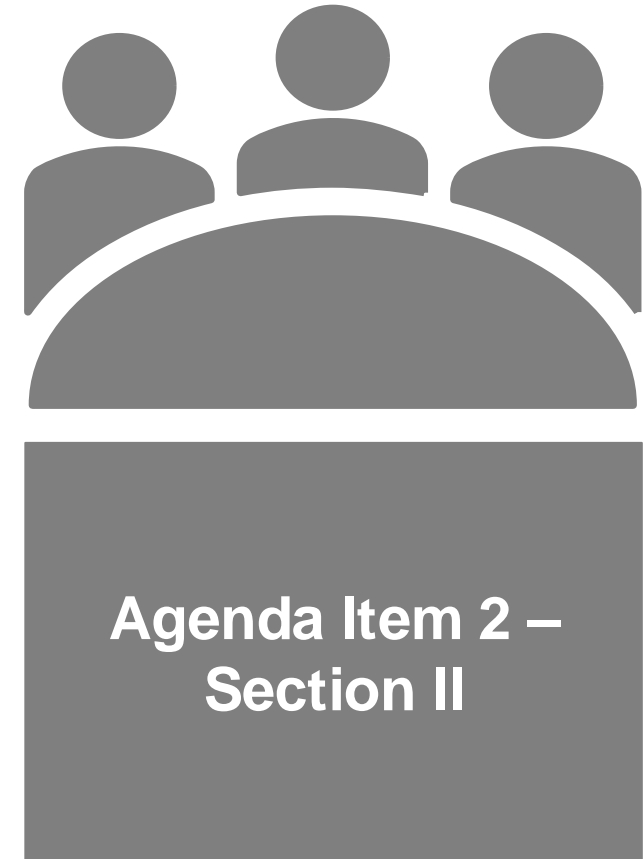
- Proposed effective date: December 15, 2026
 - Allows for coordinating the effective date with fraud and Track 2 of the Listed entity and PIE projects
- Early application
 - Remain silent
 - Basis for Conclusions – not encourage early application of the collective changes to the auditor's report on a piecemeal basis

Effective Date

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.



Conforming and Consequential Amendments

Agreeing the Terms of Audit Engagements

ISA 210 – Para. A24;
Appendix 1

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

ISA 250 (Revised) – Para. 29(b)

Communicating Key Audit Matters

ISA 701 – Para. 15

Illustrative Auditor's Reports

ISA 510, and ISAs of the 700 – 800 series

Conforming and Consequential Amendments

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**.



Next Steps

**Monday
December 9th**

Full read
Board's comments

**Tuesday
December 10th**

Targeted issues

**Thursday
December 12th**

Final discussion
Anticipated
approval of final
standard

Way Forward

December
2024



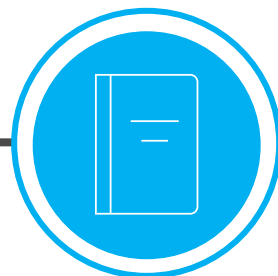
IAASB
Approval

April
2025



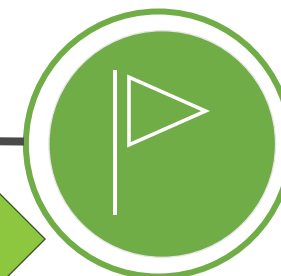
Expected PLOB
Certification

April
2025



Publication
of Final
Standard &
Basis for
Conclusions

December
2026



Effective
Date

Implementation

Preparation of:

- Fact Sheet
- Update to FAQs & Video Series



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