

Proposed Narrow Scope Amendments for Proposed ISA 570 (Revised 2024)¹

[Pre-Final – Marked from Agenda Item 3-B]

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report. Although this ISA applies irrespective of the entity's size or complexity, particular considerations apply only for audits of financial statements of ~~listed entities~~ publicly traded entities. (Ref: Para. A1–A2)

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Requirements

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Implications for the Auditor's Report

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists

34. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A78–A79)
 - (a) State that: (Ref: Para. A80–A81)
 - (i) In the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
 - (ii) Based on the audit evidence obtained, the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (iii) The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.
 - (b) For an audit of financial statements of a ~~listed entity~~ publicly traded entity, when significant judgments are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern: (Ref: Para. A82-A83, A89)
 - (i) Include a reference to the related disclosure(s) in the financial statements; and (Ref: Para. A73–A76)

¹ International Standard on Auditing (ISA) 570 (Revised 2024), *Going Concern*

- (ii) Describe how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern. (Ref: Para. A84–A88)

Use of Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements

35. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor’s report shall include a separate section under the heading “Material Uncertainty Related to Going Concern” and: (Ref: Para. A78–A79, A90–A91)
- (a) Include a reference to the related disclosure(s) in the financial statements; (Ref: Para. A77)
 - (b) For an audit of financial statements of a ~~listed entity~~ publicly traded entity, describe how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern; (Ref: Para. A84–A88)
 - (c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern;
 - (d) State that:
 - (i) The auditor’s opinion is not modified in respect of the matter;
 - (ii) In the context of the audit of the financial statements as a whole, and in forming the auditor’s opinion thereon, the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - (iii) The auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report and are not a guarantee as to the entity’s ability to continue as a going concern.

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Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

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- A2. For audits of financial statements of ~~listed entities~~ publicly traded entities, when the auditor concludes, based on the audit evidence obtained, that no material uncertainty exists, and significant judgments were made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, this ISA requires the auditor to disclose under the heading of “Going Concern” within the auditor’s report how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern.

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Implications for the Auditor's Report (Ref: Para. 34)

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Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists (Ref: Para. 34)

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- A81. Illustration 1 of the Appendix to this ISA is an example of an auditor's report of an entity other than a ~~listed entity~~ publicly traded entity when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting and has concluded that no material uncertainty exists.
- A82. For an audit of financial statements of an entity other than a ~~listed entity~~ publicly traded entity, law or regulation may require the auditor to provide the information required by paragraph 34(b). The auditor may also decide that providing the information required by paragraph 34(b) for ~~an entities~~ other than ~~a listed entities~~ publicly traded entities would be appropriate to enhance transparency for intended users of financial statements in the auditor's report. For example, the auditor may decide to do so if the auditor determines that there is significant public interest in the financial condition of those entities.² ~~For example, the auditor may decide to do so for other entities, including those that may be of significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business. Examples of such entities may include financial institutions (such as banks, insurance companies and pension funds) and other entities such as charities.~~

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Description of How the Auditor Evaluated Management's Assessment of Going Concern (Ref: Para. 34(b)(ii), 35(b))

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- A89. Illustration 2 of the Appendix to this ISA is an example of an auditor's report of ~~listed entity~~ publicly traded entity when:
- The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting;
 - The auditor has concluded that no material uncertainty exists; and
 - The financial statements adequately disclose the significant judgments made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

² ISA 200, paragraph A13A

Use of the Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists (Ref: Para. 35–36)

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Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements (Ref: Para. 35)

A91. Illustrations 3 and 4 of the Appendix to this ISA are examples of an auditor's report of an entity other than a ~~listed entity~~ publicly traded entity and a ~~listed entity~~ publicly traded entity, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial statements.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements (Ref: Para. 36)

A92. Illustrations 5 and 6 of the Appendix to this ISA are examples of auditor's reports for a ~~listed entity~~ publicly traded entity and an entity other than a ~~listed entity~~ publicly traded entity containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the financial statements.

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Communication with Those Charged with Governance (Ref: Para. 41–42)

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A101. In the case of an entity other than a ~~listed entity~~ publicly traded entity, in addition to the required statements to be provided in the auditor's report, when appropriate, the auditor may also communicate with those charged with governance additional matters, for example, describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

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Appendix

(Ref: Para. A78, A81, A89, A91–A92)

Illustrations of Independent Auditor's Reports Related to Going Concern

- Illustration 1: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: An auditor's report of a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements about the significant judgments made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as going concern is adequate.

- Illustration 3: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 4: An auditor's report of a ~~listed entity~~ publicly traded entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 5: An auditor's report of a ~~listed entity~~ publicly traded entity containing a qualified opinion when the auditor has concluded that a material uncertainty exists and the financial statements are materially misstated due to inadequate disclosure.
- Illustration 6: An auditor's report of an entity other than a ~~listed entity~~ publicly traded entity containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the required disclosures relating to the material uncertainty are omitted in the financial statements.

Illustration 1 – An Auditor’s Report of an Entity Other Than a ~~Listed-Publicly Traded~~ Entity Containing an Unmodified Opinion When No Material Uncertainty Exists

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed-publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³ does not apply).**
- ...

Illustration 2 – An Auditor’s Report of a ~~Listed-Publicly Traded~~ Entity Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements About the Significant Judgments Made by Management in Concluding That There is No Material Uncertainty Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed-publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

Illustration 3 – An Auditor’s Report of an Entity Other Than a ~~Listed-Publicly Traded~~ Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed-publicly traded~~ entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

³ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

Illustration 4 – An Auditor’s Report of a ~~Listed~~ Publicly Traded Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

Illustration 5 – An Auditor’s Report of a ~~Listed~~ Publicly Traded Entity Containing a Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...

Illustration 6 – An Auditor’s Report of an Entity Other Than a ~~Listed~~ Publicly Traded Entity Containing an Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a ~~listed~~ publicly traded entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...