IAASB

International Auditing and Assurance Standards Board®

Overview of Key Changes for Going Concern

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IAASB Going Concern Video Series



Why is the IAASB proposing changes to its going concern standard?





Drivers for the Project

Corporate failures across the globe – driving demand for enhanced transparency about going concern



Drivers for the Project

Heightened risks, such as conditions resulting from war and the global pandemic, focused attention on the challenges and issues pertaining to the auditor's responsibilities and work related to going concern



Drivers for the Project

Ongoing uncertainties in the broader economic environment and a spotlight on the topic of going concern – emphasis on the need for a more robust standard



What are the public interest issues being addressed by the revision?





Project Objectives that Support the Public Interest

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



Project Objectives that Support the Public Interest

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



Project Objectives that Support the Public Interest

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



What are the key changes being proposed with the revisions?





Overview of Key Changes

Terminology

- Defining Material Uncertainty (Related to Going Concern) based on description in extant ISA 570 (Revised)
- Clarifying intended meaning of the phrase "may cast significant doubt" and other terminology



Overview of Key Changes

Risk Assessment and Related Activities

- Changes to enhance the linkage with ISA 315 (Revised 2019)
- Strengthening and enhancing the standard to provide a more robust basis for the identification of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern



Overview of Key Changes

Timeline Over Which the Going Concern Assessment Is Made

- Change in the commencement date of the period of management's assessment to the date of approval of the financial statements
- Time period for assessing going concern remains a minimum period of least twelve months
- Stronger links to ISA 560



Overview of Key Changes

Evaluating Management's Assessment of Going Concern

- Enhancements to require a more robust evaluation of management's assessment
- Required audit procedures to evaluate the method, assumptions and data used by management to make its assessment
- Procedures on management's revised assessment when necessary if events or conditions exist that management has not previously identified or disclosed to the auditor



Overview of Key Changes

Information from Sources External to the Entity

- Requirements for the auditor to evaluate the intent and ability of a third or related party, including the entity's owner-manager, to provide necessary financial support
- Emphasis on how information from sources external to the entity can be leveraged in the auditor's work related to going concern



Overview of Key Changes

Professional Skepticism

 New requirements and application material to reinforce a more robust exercise of professional skepticism and to evaluate the risk of management bias



Overview of Key Changes

Communication with Those Charged with Governance (TCWG)

- Strengthened requirements and new application material building on the foundational requirements in ISA 260 (Revised)
- Enhancing timely, two-way communication with TCWG



Overview of Key Changes

Communication with Appropriate External Parties

- New requirement to communicate with appropriate external parties when law, regulation or relevant ethical requirements require or establish responsibilities permitting the auditor to report to an appropriate authority outside the entity
- Leveraging equivalent requirement in ISA 250 (Revised)
- Reminder of auditor's responsibility to report to others



Overview of Key Changes

Transparency About Going Concern in the Auditor's Report

- For all entities explicit statements about:
 - The appropriateness of management's use of the going concern basis of accounting
 - Whether a material uncertainty has been identified
- For listed entities enhanced communication:
 - When events or conditions have been identified, but no material uncertainty exists
 - For Material Uncertainty Related to Going Concern paragraphs



Other Changes

Audit Techniques – Use of Technology

 Incorporating examples of automated tools and techniques and emphasis on the impact of technology on the auditor's work related to going concern



Other Changes

Scalability Considerations

 Examples to demonstrate how the nature and extent of the auditor's going concern related audit procedures may vary based on the nature and circumstances of the entity and depending on the method, assumptions and data used by management to assess going concern



Other Changes

Conforming and Consequential Amendments

- Alignment changes to other ISAs to resolve actual and perceived inconsistencies
- Consequential amendments to clarify the relationship between ED-570 and other standards of the ISA 700-series, including updating the illustrative auditor's reports



What are the next steps?





Way Forward

Monitoring jurisdictional developments, ongoing dialogue and engagement with others in the financial reporting ecosystem

Deliberation of Issues and Proposals:

- August 2023 consultation period closes.
- Coordination with other IAASB Task Forces and Consultation Groups.

Final Approval:

• December 2024 – IAASB approval of final pronouncement.



Public Consultation Now Open!

- Please share your views by August 24, 2023.
- Visit the IAASB website to read the proposed changes and summit a comment letter:

iaasb.org/consultations-projects

Exposure Draft April 2023 Comments due: August 24, 2023	
	International Standard on Auditing
	Proposed International Standard on Auditing 570 (Revised 202X) Going Concern
	^{and} Proposed Conforming and Consequential Amendments to Other ISAs
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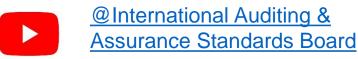




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