

# 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 submit a comment letter:

[iaasb.org/consultations-projects](https://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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