Why is the IAASB proposing changes to the auditor’s report in relation to going concern?
Enhancing Transparency About Going Concern

Stakeholder demands for more informational content on going concern
Enhancing Transparency About Going Concern

Clarity for “close calls” and the related auditor reporting requirements in the standards
Enhancing Transparency About Going Concern

Need for consistency and comparability across auditor’s reports globally when reporting matters relating to going concern
Going Concern: Frequently Asked Questions

- August 2022: Frequently Asked Questions released
- Purpose:
  - Targeted and timely response to questions raised in the feedback about Material Uncertainty Related to Going Concern (MURGC), Key Audit Matters (KAM) and Emphasis of Matter (EOM)
  - To enhance the understandability and consistent implementation of the ISAs
What key changes to the auditor’s report are proposed to enhance transparency about going concern?
Overview of Key Changes in the Auditor’s Report

- Explicit statements in all auditor’s reports about the auditor’s conclusions relating to going concern
- Enhanced description of auditor’s response for audits of listed entities in the Material Uncertainty Related to Going Concern section
- Enhanced reporting for audits of listed entities when events or conditions have been identified, but no material uncertainty exists
Overview of Proposals – When the Auditor’s Opinion is not Modified in Relation to Going Concern

<table>
<thead>
<tr>
<th>Applicability</th>
<th>Going Concern Section (No Material Uncertainty Exists)</th>
<th>MURGC Section (Material Uncertainty Exists)</th>
</tr>
</thead>
<tbody>
<tr>
<td>All entities</td>
<td>State that the auditor:</td>
<td>In addition to the extant requirements, state that the auditor:</td>
</tr>
<tr>
<td></td>
<td>► Concluded that management’s use of the going concern basis of accounting is appropriate</td>
<td>► Concluded that management’s use of the going concern basis of accounting is appropriate</td>
</tr>
<tr>
<td></td>
<td>► Based on the audit evidence obtained, has not identified a material uncertainty</td>
<td></td>
</tr>
<tr>
<td>Listed entities</td>
<td>► Description of how the auditor evaluated management’s assessment</td>
<td></td>
</tr>
</tbody>
</table>
For an audit of a listed entity, can going concern matters continue to be communicated as a KAM?
Interaction with KAM

Clarified Scope of ED-570
Clarifies that this standard (and not ISA 701) addresses the implications for the auditor’s report

Conforming and Consequential Amendment to ISA 701
Clarify that communicating KAM in the auditor’s report is not a substitute for reporting in accordance with ED-570
What guidance is available to support the application of the new transparency requirements?
Application and Other Explanatory Material

Description of how the auditor evaluated management's assessment

• What to address in the description
• Caution against boilerplate
• Factors to consider that may affect the amount of detail provided
• Guidance to assist the auditor in seeking to avoid becoming the source of original information
Application and Other Explanatory Material

Illustrations

• Updated and new illustrative auditor’s reports in the Appendix of ED-570 to demonstrate the statements and descriptions that are required
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
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