

Transparency About Going Concern in the Auditor's Report

Josephine Jackson
IAASB Vice Chair and Member
June 2023

IAASB Going Concern Video Series

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

IAASB

[DRAFT] Frequently Asked Questions
[Month] 2022

Reporting Going Concern Matters in the Auditor's Report

This publication has been developed by the Going Concern Task Force of the International Auditing and Assurance Standards Board (IAASB) to address some of the common questions in relation to the use of and the interrelationship of "Material Uncertainty Related to Going Concern" (MURGC) and Key Audit Matters (KAM) sections, and Emphasis of Matter (EOM) paragraphs, in the auditor's report prepared in accordance with International Standards on Auditing (ISAs).

This publication does not amend or override the International Standards on Auditing (ISAs), the texts of which alone are authoritative. The frequently asked questions are not meant to be exhaustive¹ and reading this publication is not a substitute for reading the ISAs.

Question 1 What is the purpose of MURGC and KAM sections and EOM paragraphs in the auditor's report?

The table below provides an overview of the purpose of MURGC and KAM sections and EOM paragraphs:

Heading	Purpose
Material Uncertainty Related to Going Concern²	▶ Applies if the auditor has concluded that a material uncertainty related to going concern exists, and for which adequate disclosure has been made in the financial statements. The use of a separate section that includes reference to the fact that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern is intended to give additional prominence to this information and alert users to this circumstance.
Key Audit Matters³	▶ Provides information to intended users to assist them in understanding those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period, including how such matters were addressed in the audit.
Emphasis of Matter⁴	▶ Establishes a mechanism for auditors to provide additional communication in the auditor's report, to draw users' attention to a matter(s) presented or disclosed in the financial statements that, in the auditor's judgment, is of

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 Key Changes in the Auditor's Report

Transparency About Going Concern in the Auditor's Report

<i>Overview of Proposals – When the Auditor's Opinion is not Modified in Relation to Going Concern</i>		
<i>Applicability</i>	Going Concern Section (No Material Uncertainty Exists)	MURGC Section (Material Uncertainty Exists)
All entities	<p>State that the auditor:</p> <ul style="list-style-type: none"> ▶ Concluded that management's use of the going concern basis of accounting is appropriate ▶ Based on the audit evidence obtained, has not identified a material uncertainty 	<p>In addition to the extant requirements, state that the auditor:</p> <ul style="list-style-type: none"> ▶ Concluded that management's use of the going concern basis of accounting is appropriate
Listed entities	<ul style="list-style-type: none"> ▶ Description of how the auditor evaluated management's assessment 	<ul style="list-style-type: none"> ▶ Description of how the auditor evaluated management's assessment

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

Application and Other Explanatory Material

Original information

- 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

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

Follow Us



[@IAASB_News](#)



[@International Auditing and Assurance Standards Board](#)



[@International Auditing & Assurance Standards Board](#)

[Register & Subscribe for updates: www.iaasb.org](http://www.iaasb.org)



IAASB

International Auditing
and Assurance
Standards Board®



[@IAASB_News](https://twitter.com/IAASB_News)



[@International Auditing and Assurance Standards Board](https://www.linkedin.com/company/iaasb)



[@International Auditing & Assurance Standards Board](https://www.youtube.com/channel/UC8v31111111111111111111)

www.iaasb.org

IAPN.

ISA.

ISAE.

ISQM.

ISRE.

ISRS.