

Basis for Conclusions

Prepared by the Staff of the International Auditing
and Assurance Standards Board® (IAASB)

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

Including Conforming and
Consequential
Amendments to Other
International Standards
on Auditing (ISAs)

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IAASB™

International Auditing and Assurance Standards Board
AN IFEA BOARD

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The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related services standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the Stakeholder Advisory Council, which provides public interest input into the development of the standards and guidance.

**BASIS FOR CONCLUSIONS: INTERNATIONAL STANDARD
ON AUDITING (ISA) 570 (REVISED 2024)**

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The Staff of the IAASB has prepared this Basis for Conclusions. It relates to, but does not form part of, ISA 570 (Revised 2024), *Going Concern*, or the conforming and consequential amendments to other International Standards on Auditing (ISAs).

ISA 570 (Revised 2024) and the conforming and consequential amendments to other ISAs were approved in December 2024 with affirmative votes of 18 out of 18 IAASB members.

Section A – Introduction

Drivers for the Project

1. Corporate failures across the globe in past years have brought the topic of going concern to the forefront and led to stakeholder demands for enhanced transparency about going concern by entities and their auditors. Conditions, such as war and the global pandemic, have also caused heightened risks, focusing attention on the challenges and issues pertaining to the auditor's responsibilities and work related to management's assessment of an entity's ability to continue as a going concern, and the reporting thereof. In addition, ongoing uncertainties in the broader economic environment, have again put a spotlight on the topic of going concern, further emphasizing the need for a more robust standard that supports consistent practice and behavior by auditors in relation to going concern in an audit of financial statements.
2. Against this backdrop, stakeholders have continued to call on the IAASB to further enhance and clarify its auditing standard on going concern since it was last revised in 2015, as part of the project to revise the Auditor Reporting Standards.¹ There have also been various standard-setting initiatives ongoing in jurisdictions related to going concern, which further emphasized the broader public interest in this topic and the need for the IAASB to act to ensure that its going concern standard remains fit-for-purpose in the current and future macroeconomic and geopolitical environments.

Project to Revise Extant ISA 570 (Revised), Going Concern

3. In early 2020, the IAASB commenced information-gathering and research activities on going concern in an audit of financial statements, which among others, included:
 - Publishing the Discussion Paper (DP), [*Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit*](#), for public consultation. In relation to going concern specifically, the objective of the consultation was to obtain feedback about the issues and challenges in applying extant ISA 570 (Revised) in light of the changing environment, jurisdictional developments and evolving public expectations, including whether more informative communication about going concern with those charged with governance (TCWG) and in the auditor's report was appropriate or needed.
 - Undertaking a series of roundtables to gather stakeholders' perspectives on fraud and going concern in an audit of financial statements.²

¹ The new and revised Auditor Reporting Standards were issued in January 2015, after due process approval by the PIOB, and became effective for audits of financial statements for periods ending on or after December 15, 2016. For further information, see the [Auditor Reporting project](#) or the [Auditor Reporting focus area page](#).

² In November 2020, the IAASB published a [Summary of Key Take-aways](#), which summarizes what the IAASB heard from the roundtables with experts and leaders exploring issues and challenges related to fraud and going concern.

- Targeted outreach with regulators and audit oversight authorities, jurisdictional and national auditing standard setters (NSS), Forum of Firms (FoF), international financial reporting standard-setting bodies and others.
4. In addition, between 2019-2021, the IAASB undertook a post-implementation review (PIR) of the new and revised Auditor Reporting Standards to help the IAASB understand whether the revisions made are being consistently understood and implemented, and to help inform considerations of any further possible actions.³ The IAASB incorporated the feedback from the PIR to supplement its information gathering and research activities relating to going concern.
5. In March 2022, the IAASB approved a [project proposal](#) to undertake certain targeted actions to revise extant ISA 570 (Revised). The project objectives that support the public interest included enhancing or clarifying extant ISA 570 (Revised) to:
- Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern;
 - 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; and
 - Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.

Exposure Draft of Proposed ISA 570 (Revised 2024)

6. At its March 2023 meeting, the IAASB approved an [Exposure Draft](#) of Proposed ISA 570 (Revised) (ED-570),⁴ including related conforming and consequential amendments to other ISAs. ED-570 was issued on April 26, 2023, for a 120-day comment period that closed on August 24, 2023. The Explanatory Memorandum accompanying ED-570 highlighted, among other matters, the significant proposals of the IAASB, how those serve to achieve the project objectives that support the public interest, and sought responses to 17 questions relating to ED-570.
7. In total, 78 responses were received from a diverse representation of stakeholder constituencies and from all geographical regions. Responses were received from four Monitoring Group member (MG) respondents,⁵ regulators and audit oversight authorities, NSS, accounting firms, public sector organizations, member bodies and other professional organizations, academics and individuals. In addition, in March and April 2024, the IAASB engaged in focused discussions with investors or other users of financial statements to supplement the feedback from the written responses.
8. In addition to the focused discussions with investors or other users of financial statements, during the exposure period and post ED-570, the IAASB:

³ For further information on the PIR, see the [Auditor Reporting Post-Implementation Review](#) project page.

⁴ Exposure Draft (ED-570): [Proposed International Standard on Auditing 570 \(Revised 202X\), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs](#)

⁵ The Monitoring Group comprises the Basel Committee on Banking Supervision (BIS), the European Commission (EC), the Financial Stability Board (FSB), the International Association of Insurance Supervisors (IAIS), the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the World Bank (WB). Responses to ED-570 were received from BCBS, IAIS, IFIAR and IOSCO.

- Developed a short three-part video series,⁶ to help stakeholders understand the proposals.
- Undertook various outreach activities with prudential regulators, MG members, FoF, NSS and the International Federation of Accountants' (IFAC) Small and Medium Practices Advisory Group (SMPAG).
- Consulted with the Stakeholder Advisory Council (SAC), during its inaugural meeting in April 2024, on certain public interest issues from the feedback to ED-570.
- Engaged with other stakeholders in the financial reporting ecosystem and in particular those with direct responsibility for financial reporting, such as the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB). This also included continued dialogue with the IASB on certain proposals throughout the process of updating proposed ISA 570 (Revised 2024) post exposure.
- Coordinated with the International Ethics Standards Board for Accountants (IESBA) with respect to communicating going concern matters to appropriate external parties and with other IAASB Task Forces, including with ongoing projects that are also considering changes to the auditor's report.

Section B - Public Interest Issues Addressed

9. Respondents to ED-570 broadly supported the relevance of the project, including that the proposals in ED-570 were responsive to the public interest and that they contributed to enhancing confidence in the auditor's work in relation to going concern. While recognizing the important role that auditors play in contributing to high-quality financial reporting, some stakeholders commented that more is needed beyond ED-570 to have a meaningful impact on narrowing the expectation gap for going concern, including the need for:
 - Coordinated actions from all stakeholders in the financial reporting ecosystem to establish trust and narrow the expectation gap.
 - Improvements to financial reporting frameworks for going concern, including enhancements to the requirements for management's disclosures in relation to going concern.
10. Recognizing the boundaries of its standard-setting remit, the IAASB has remained mindful of these perspectives when developing revisions to ED-570 post exposure, including conveying respondents' feedback through its engagement with others in the financial reporting ecosystem, such as through its ongoing liaison with the IASB.
11. Also, in developing ISA 570 (Revised 2024), the IAASB considered the qualitative standard-setting characteristics set out in paragraph 36 of the project proposal and those included in the Public Interest Framework (PIF)⁷ as criteria to assess the proposed standard's responsiveness to the public interest.
12. **Appendix 1** to this Basis for Conclusions maps the key aspects of ISA 570 (Revised 2024) to the objectives and standard-setting actions in the project proposal that support the public interest. It also

⁶ The three-part video series can be accessed from the IAASB [Going Concern project page](#).

⁷ See the PIF published by the Monitoring Group in July 2020 (as part of their report "[Strengthening the International Audit and Ethics Standard-Setting System](#)"). The PIF sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, the PIF explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

highlights the following qualitative standard-setting characteristics that were at the forefront, or of most relevance, in developing ISA 570 (Revised 2024):

Qualitative Standard-Setting Characteristics Considered

- ▶ *Scalability* – addresses both less and more complex circumstances, commensurate with the nature and circumstances of the entity (e.g., through the scalability examples provided in the application material and by explicitly recognizing in the requirements of the standard that the nature and extent of the audit procedures to evaluate the method, significant assumptions and data used by management take into account the results of the auditor’s risk assessment procedures performed).
- ▶ *Proportionality* – addresses the issues in a proportionate manner by considering the relative impact that the proposals may have on different stakeholders (e.g., by considering the differing needs or heightened expectations of intended users to appropriately identify those requirements that are specifically relevant to audits of financial statements of listed entities).
- ▶ *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments and technology (e.g., through robustly addressing the auditor’s determination of whether going concern-related events or conditions have been identified, the impact of events or conditions subsequent to the period of management’s assessment of going concern, and enhanced application material addressing the use of automated tools and techniques).
- ▶ *Clarity and conciseness*, including overall *understandability* – addresses minimizing the likelihood of differing interpretations (e.g., in relation to the proposed definition of Material Uncertainty (Related to Going Concern) and other clarifications proposed related to terminology, as well as providing guidance on key matters such as the timeline of management’s going concern assessment, the auditor’s evaluation of management’s assessment, and communication and auditor reporting requirements).
- ▶ *Implementability* and ability of being *consistently applied and globally operable* – focuses on improving consistency globally about the auditor’s work related to going concern (e.g., by reporting going concern matters in the auditor’s report either in a section on Going Concern or Material Uncertainty Related to Going Concern and by reinforcing the benefit to users of management’s assessment of going concern that includes more current, decision-useful information).
- ▶ *Coherence* – with the overall body of ISAs (e.g., by building appropriately on the foundational requirements in ISA 315 (Revised 2019)⁸ and adequately articulating the concepts introduced from ISA 540 (Revised),⁹ such as in relation to the auditor’s evaluation of management’s method, significant assumptions and data).

⁸ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

⁹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Section C – Overview of Key Changes Proposed

13. **Appendix 2** to this Basis for Conclusions shows a chart that presents the key elements of ISA 570 (Revised 2024). The chart depicts a walkthrough of the auditor’s decision-making process in respect of concluding whether the going concern basis of accounting is appropriate and whether a material uncertainty related to going concern exists, (presented in dark blue boxes), recognizing the iterative nature of an audit. The paragraph references in the chart relate to the paragraphs of ISA 570 (Revised 2024).

Section D – Definition of Material Uncertainty (Related to Going Concern)

Background

14. Recognizing that the term ‘material uncertainty’ remains undefined in recognized financial reporting frameworks (e.g., in the IFRS Accounting Standards as issued by the IASB and the standards of the IPSASB), the IAASB included in ED-570 a new definition for ‘Material Uncertainty (Related to Going Concern).’ The definition was supported by application material that describes the phrase ‘*may cast significant doubt*’ as a threshold to signpost when the individual or collective magnitude of the identified events or conditions is such that the entity will be unable to meet its obligations and continue its operations for the foreseeable future unless management takes remedial actions.
15. The IAASB believed that by providing a definition and supporting application material, this enabled *clarity and conciseness*, by enhancing the standard’s *understandability* and facilitating *consistency* in practice through minimizing the likelihood of varying interpretations that could occur when performing the requirements of the standard.

Summary of Comments Received on Exposure

16. Respondents to ED-570 were predominantly supportive of the definition and the related application material to the definition clarifying the phrase ‘*may cast significant doubt*,’ noting that the proposals enable greater understanding for this core concept and promote consistency in application across jurisdictions.
17. In their written responses, stakeholders:
- Suggested elevating the phrase ‘*may cast significant doubt*’ from the application material to the definition, to provide greater prominence for this important concept.
 - Encouraged removing the phrase ‘in the auditor’s professional judgment’ from the definition given it undermines that management may have identified the material uncertainty when making its assessment of the entity’s ability to continue as a going concern.
 - Questioned whether it is appropriate for the definition to include references to disclosures of the nature and implications of the uncertainty in the context of the applicable financial reporting framework, given that the auditor’s conclusion as to whether a material uncertainty exists precedes the auditor’s evaluation of the adequacy of management’s disclosures.
 - Suggested simplifying and phrasing the definition to support understandability (including for translations) and clarifying what the ‘foreseeable future’ includes.

IAASB Decisions

18. The IAASB agreed to several refinements to the definition, as discussed in paragraphs 19-22 below, based on the comments and suggestions from respondents' feedback. In doing so, the IAASB acknowledged the importance of alignment and coordination with the IASB on key concepts, terminology and definitions used in ISA 570 (Revised 2024) driven by the need to foster common understanding among preparers and auditors for matters pertaining to going concern. Throughout the process of refining the definition post exposure, the IAASB sought and incorporated views and perspectives from IASB representatives.

Phrase 'May Cast Significant Doubt'

19. The IAASB agreed with respondents that the explanation of the phrase '*may cast significant doubt*' is critical to consistent application of the requirements of ISA 570 (Revised 2024), as it supports understanding of the notion that a material uncertainty is the result of unresolved events or conditions that, individually or collectively, *may cast significant doubt*. Given its relevance, the IAASB elevated this phrase as an explanation to the definition of Material Uncertainty (Related to Going Concern) and in doing so:
- Included the threshold of likelihood of occurrence in the explanation, to address both the magnitude of the potential impact and the likelihood of occurrence of the identified events or conditions.
 - Enhanced the linkages with the auditor's evaluation of management's plans for future actions, rather than referring to remedial actions.
 - Phrased the definition into shorter sentences, to support understandability and effective translations.

Reference to the 'Auditor's Professional Judgment' in the Definition

20. The IAASB deliberated that while it is not uncommon to reference the 'auditor's professional judgment' in defined terms of the ISAs, this is usually in the context of concepts relevant specifically to the auditor or the audit engagement (e.g., in the definition of key audit matters (KAM)). Accordingly, the IAASB acknowledged that by highlighting the auditor's professional judgment in the definition this may be perceived as the definition not being relevant to management when assessing the entity's ability to continue as a going concern and disclosing material uncertainties management is aware of.
21. The IAASB decided to remove the reference to the 'auditor's professional judgment' from the definition. In reaching its view, the IAASB also considered that:
- Removing the reference from the definition would not undermine the auditor's professional judgment when concluding whether a material uncertainty exists, as this is explicitly addressed in relevant requirements of the standard.
 - Having a common reference in ISA 570 (Revised 2024) for the term Material Uncertainty (Related to Going Concern) that can apply to both management and the auditor, in the appropriate context, would support the public interest by fostering common understanding among all parties of this important concept.

Reference to 'Disclosures' in the Definition

22. In considering respondents' comments about whether the definition should refer to disclosures in the context of both a fair presentation and compliance financial reporting framework, the IAASB formed

the view that although such explanations are important to be retained in the revised standard, they do not directly help define the concept of a material uncertainty. Consequently, the IAASB relocated the reference to disclosures from the definition of Material Uncertainty (Related to Going Concern) to the adequacy of disclosures section of the standard.

Foreseeable Future

23. The IAASB retained the reference to the 'foreseeable future' in the definition, as it is considered an important element that highlights the forward-looking nature of the matters related to an entity's ability to continue as a going concern. The IAASB also decided not to pursue clarifying in the definition what the 'foreseeable future' means, given its view that the standard is sufficiently clear as to what period the auditor is required to cover when reaching a conclusion whether a material uncertainty exists. At the same time, the standard acknowledges that, depending on the circumstances, the conclusion of whether a material uncertainty exists may require assessing a period that extends beyond twelve months from the date of approval of the financial statements.

Section E – Risk Assessment Procedures and Related Activities

Background

24. The proposals in ED-570 included introducing incremental requirements and application material for risk assessment procedures and related activities relevant for going concern matters that supplement the broader requirements of ISA 315 (Revised 2019). The approach applied aimed to provide further specificity that enables clearer links between the foundational requirements in ISA 315 (Revised 2019) by applying a 'going concern lens.'
25. The IAASB believed that this approach promotes consistent practice and behavior and facilitates the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Summary of Comments Received on Exposure

26. Respondents were predominantly supportive of the enhancements proposed for risk assessment procedures and related activities. While there was broad support from the feedback, certain respondents:
- Commented that it should be clear that management, rather than the auditor, has a direct responsibility for the identification of events or conditions, as well as that the auditor is not responsible to identify *all* events or conditions which would extend beyond the core requirements of ISA 315 (Revised 2019).
 - Encouraged providing greater prominence for the principle that the events or conditions are identified on a gross basis, i.e., before consideration of any related mitigating factors addressed by management's plans for future actions.
 - Had mixed views about the level of detail addressed by the requirements to obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control.

IAASB Decisions

27. The IAASB deliberated that applying the principles of ISA 315 (Revised 2019) in the context of going concern aims to support the auditor's determination of whether any events or conditions that may cast doubt have been identified. To clarify this notion, the IAASB agreed to amend the drafting in paragraph 11 of ISA 570 (Revised 2024). In doing so, the IAASB retained:
- The robustness of the proposal for the auditor to perform risk assessment procedures in relation to going concern that are beyond inquiry and discussion when obtaining an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control.
 - Stronger work effort in the requirement for the auditor to *determine* whether events or conditions are identified based on the audit evidence obtained from the risk assessment procedures.
28. The IAASB also agreed to elevate to the requirement in paragraph 11 of ISA 570 (Revised 2024) the explanation from the application material that events or conditions are identified on a gross basis (i.e., before consideration of mitigating factors included in management's plans for future actions).
29. With respect to suggestions for relegating certain requirements to the application material, the IAASB reaffirmed its view that the specificity provided in the requirements for risk assessment and related procedures remains appropriate, given it helps clarify and support *consistency* among firms and across jurisdictions when applying ISA 315 (Revised 2019).

Section F – Timeline Over Which the Going Concern Assessment is Made

Background

30. ED-570 included proposals to extend the commencement date of the twelve-month period of management's assessment of going concern that is used as the basis for the auditor's evaluation, from the date of the financial statements (in the extant standard) to the date of the approval of the financial statements (in ED-570). The IAASB believed that the extended commencement date would support the public interest by providing more relevant, current, and decision-useful information to users of financial statements. Also, the extended commencement date would contribute to greater *comparability* and *consistency* among jurisdictions globally, given that some jurisdictions have already adopted a different commencement date of the period of the auditor's evaluation in their national equivalent auditing standards. The IAASB is also aware that there is evolving practice whereby a different commencement date of the period of the auditor's evaluation is applied, although not required by extant ISA 570 (Revised).
31. The IAASB also recognized that it was appropriate to provide certain flexibility in ED-570 to enable the auditor to obtain sufficient appropriate audit evidence and issue an unmodified opinion when the circumstances are such that management is able to provide additional information to support the appropriateness of their use of the going concern basis of accounting, even when the period used in their assessment is less than twelve months from the date of approval of the financial statements. To allow for such flexibility, the IAASB added new requirements and application material for the auditor to discuss with management, or where appropriate, with TCWG if management is unwilling to make or extend its assessment when requested to do so by the auditor.

Summary of Comments Received on Exposure

32. MG respondents and stakeholders from the regulators and audit oversight authorities constituencies broadly supported the proposals. Other stakeholder groups had a range of views, including views that agreed or disagreed. There were also mixed views from the outreach with investors and other users of financial statements for the proposed extension. However, there was general recognition from the feedback among all stakeholder groups for the public interest value of going concern assessments to include more current and relevant information.
33. A key concern cited by some respondents was that the IAASB is stepping out of its remit by imposing accounting requirements on management. Respondents also questioned the practicality of the proposal without a corresponding change in the applicable financial reporting framework (e.g., reluctance from management to extend the commencement period). There were also concerns cited about increased costs for preparers to update the assessment for the extended commencement period.
34. Some respondents commented that it would be more relevant from a user perspective to limit the application of the requirement to apply only for audits of listed entities, given that for such entities there is a greater interest by the public in their financial condition and they carry a higher risk profile, so it would be more relevant for the assessment to be based on more current information. In addition, certain respondents suggested to refocus the requirement to be conditional on whether events or conditions are identified or to be conditional on circumstances when the auditor believes it is necessary for management to extend its assessment. Some respondents also commented that the IAASB should defer its proposals until the IASB undertakes a project to harmonize the requirements for management in IAS 1.¹⁰

IAASB Decisions

35. In deliberating respondents' feedback, the IAASB decided that there is a sufficient basis to retain the proposal, with necessary refinement, given that:
 - Notwithstanding the range of views on exposure, there was general recognition from the feedback among all stakeholder groups for the public interest value of going concern assessments to include more current and relevant information for user decision-making.
 - There is an existing difference in the international financial reporting frameworks of the commencement date for management's assessment of going concern, which are, the end of the reporting period as required by IAS 1 and the date of approval of the financial statements as required by IPSAS 1.¹¹ Accordingly, the proposals in ISA 570 (Revised 2024) remain aligned with the timeline over which the going concern assessment is made as required by IPSAS 1. In addition, in its liaison and engagement with the IASB, views included that the proposal remains consistent with IAS 1, as IAS 1 prescribes a minimum period and not a cap.
 - The nature of the requirement remains a matter within the remit of the IAASB given it addresses a request from the auditor for management to extend its assessment.

¹⁰ International Accounting Standard (IAS) 1 — *Presentation of Financial Statements*

¹¹ International Public Sector Accounting Standard (IPSAS) 1, *Presentation of Financial Statements*

36. The IAASB also formed the view that:

- A differential approach to request the extension for listed entities only should not be pursued, as it conflicts with the principle that going concern matters are equally relevant to all entities, irrespective of size and complexity. In addition, the IAASB believes that the requirement to extend the commencement date of management's assessment is also relevant to unlisted entities, given that there may be a significant time lag between the date of the financial statements and their approval date for such entities. Also, pursuing a differential approach for certain 'performance' requirements of the standard may be seen as inconsistent with the principle applied for the extant differential requirements in the ISAs for audits of listed entities that only differentiate aspects related to communications with TCWG and when providing transparency to intended users in the auditor's report about aspects of the audit.
- Pursuing a conditional approach for the requirement that would only trigger an extension when events or conditions are identified would be inconsistent with the other work effort requirements proposed by ED-570 to evaluate management's assessment in all circumstances and irrespective of whether events or conditions are identified.

Distinguishing Between Unwillingness to Make or to Extend an Assessment

37. Some respondents noted the need to make the distinction in the standard clearer between management refusing to *make* an assessment or, having made an assessment, management's unwillingness to *extend* its assessment. This was because the flexibility provided in the application material may be inappropriately interpreted that when management has not made any assessment, management may provide the auditor further information to support its lack of assessment.
38. The IAASB acknowledged respondents' views and extended the requirement in paragraph 16 of ISA 570 (Revised 2024) to recognize that when management is unwilling to make its assessment when requested to do so, the auditor shall consider the implications for the audit. New application material was included to support the requirement by explaining that a lack of assessment may be a limitation on the audit evidence the auditor is able to obtain. The application material refers to ISA 705 (Revised)¹² to explain the consequences for the auditor's report that may be necessary when the inability to obtain sufficient appropriate audit evidence is pervasive to the financial statements.

Clarifying the 'Comply or Explain' Approach

39. The IAASB made refinements to paragraph 23 of ISA 570 (Revised 2024) to clarify the expectation for the auditor to first discuss with management and TCWG and then to consider the implications for the audit if unable to obtain sufficient appropriate audit evidence about the appropriateness of the going concern basis of accounting. Also, new application material is included in paragraph A56 of ISA 570 (Revised 2024) to emphasize that the level of detail and formality of management's update to extend its assessment may vary from entity to entity and that a less formal update or less extensive analysis to support the update may not necessarily prevent the auditor from concluding on the appropriateness of management's use of the going concern basis of accounting.

Agreeing the Terms of Audit Engagements

40. To facilitate early communication about the expectation of management to provide a going concern

¹² ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

assessment that covers a period of at least twelve months from the date of approval of the financial statements, conforming and consequential amendments were made to ISA 210¹³ (see paragraph 96 below). Also, the IAASB added new application material in paragraph A52 of ISA 570 (Revised 2024) to support the auditor in making management aware, at a sufficiently early stage of the audit engagement, of the request for management to provide a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements.

Section G – Evaluating Management’s Assessment of Going Concern

Background

41. ED-570 included proposals to support a stronger work effort in relation to evaluating management’s assessment of going concern, required in all instances and irrespective of whether events or conditions have been identified. In addition, the revisions also included incorporating required procedures for the auditor to evaluate the method, assumptions and data used in management’s assessment of going concern by leveraging concepts from ISA 540 (Revised).
42. The IAASB believed that management’s assessment of going concern is fundamental to support management’s assertion (whether explicit or implicit) that it is appropriate to prepare the financial statements using the going concern basis of accounting. For auditors to be able to carry out robust evaluations of such assessments, challenge management’s judgments underpinning the going concern assessment, and to transparently report with respect to the auditor’s responsibilities and work related to going concern, a strengthened auditor’s work effort is necessary in all circumstances and irrespective of whether events or conditions are identified.

Summary of Comments Received on Exposure

43. There was broad recognition from the feedback that the proposed approach to evaluate management’s assessment of going concern in all circumstances and irrespective of whether events or conditions are identified is a more robust approach in comparison to the extant standard. While stakeholders broadly supported the scalability guidance and examples provided in the application material, they expressed concerns that the proposed approach was:
 - Disproportionate and may be seen as inconsistent with the concept of a risk-based audit of financial statements (e.g., for circumstances where no events or conditions that may cast significant doubt are identified).
 - Not sufficiently scalable for audits of certain entities (e.g., for smaller or less complex entities (LCEs)) given the proposed work effort is too onerous for such audits and may impose additional costs that outweigh the benefits.
44. With respect to the required audit procedures to evaluate the method, assumptions and data on which management’s assessment is based, respondents commented that the focus should be on evaluating management’s *significant* judgments and that the audit procedures required to be applied should not distract from evaluating a critical event or condition. Certain respondents also commented that a method, assumptions and data may not always apply or be relevant, or that all three elements would not always be applicable.

¹³ ISA 210, *Agreeing the Terms of Audit Engagements*

IAASB Decisions

45. The IAASB retained its view that it is relevant to require the auditor to evaluate management's assessment of going concern in all instances, and irrespective of whether events or conditions have been identified, but agreed that appropriate refinements were needed to support scalability of the auditor's work effort. Also, given its rationale discussed in paragraph 36 above, with respect to applicability, the IAASB decided not to pursue a differential approach to the 'performance' requirements of the standard to apply only to audits of listed entities.
46. The IAASB also believes that management would always need to apply an approach (i.e., a 'method') for assessing going concern, and that such approach would always be based on applying certain assumptions and data. Given that such method, assumptions and data support the judgments made by management about the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists, it is necessary for the auditor to always perform the required procedures. However, the IAASB acknowledged that in certain circumstances the method applied may be less complex (e.g., a simple cash flow forecast) or may not always be based on quantitative information or mathematical computations. Equally, when a business is simple and affected to a lesser degree by uncertainties related to events or conditions, the assumptions applied would likely be straightforward or less complex.

Scalability

47. The IAASB explicitly recognized in the requirement in paragraph 19 of ISA 570 (Revised 2024) that the nature and extent of the auditor's procedures to evaluate the method, significant assumptions and data takes into account the results of the risk assessment procedures. The IAASB believes that this addition helps with scalability when designing and performing the required procedures, which should be commensurate with the results of the auditor's risk assessment procedures relating to going concern.
48. The IAASB also recognized that it would be too onerous to require the auditor to evaluate every assumption included in management's assessment and, consistent with the approach of ISA 540 (Revised), revised the requirement in paragraph 19(b) of ISA 570 (Revised 2024) to refer to *significant* assumptions. Also, to support scalable application when considering whether the lack of analysis is an indicator of a deficiency in internal control, a reference was included to consider the nature and circumstances of the entity.

Method

49. ISA 540 (Revised) describes a 'method' for the purposes of that standard and the description implies the use of a computational tool or process (i.e., a mathematical model). The IAASB recognized that in the context of going concern, it is necessary to clarify such description. New application material was included in paragraph A39 of ISA 570 (Revised 2024) to explain that a 'method' in the context of going concern refers to the approach taken by management to assess the entity's ability to continue as a going concern, and that such approach may be based on using qualitative or quantitative information. In addition, the requirement in paragraph 19(a)(ii) of ISA 570 (Revised 2024) was amended to be conditional on whether calculations apply.

Significant Management's Judgments

50. The IAASB acknowledged respondents' feedback that it is critical for the auditor to focus on significant judgments, in addition to the assumptions applied, while evaluating management's

assessment of going concern. The IAASB deliberated that the term '*judgment*' has a broader meaning in the context of management's assessment of going concern and that linking it to assumptions solely, as suggested from the feedback, may not be appropriate. For example, in addition to judgments about the future outcomes related to events or conditions, when making its assessment management will likely make judgments for matters such as the period covered by its assessment. In response, the IAASB emphasized in the requirement in paragraph 17 of ISA 570 (Revised 2024) that evaluating management's assessment includes the significant judgments on which management's assessment is based.

Section H – Evaluating Management's Plans for Future Actions

Background

51. In ED-570, the IAASB proposed strengthening the requirements for the auditor to evaluate management's plans for future actions to address the auditor's evaluation of whether management has both the ability and intent to carry out the specific courses of action. In addition, a new requirement was included for the auditor to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide necessary financial support.
52. Application material was also developed to support practical application of the enhanced or new requirements. Among other matters, the application material sets out guidance for circumstances when the auditor may consider requesting an external confirmation of the existence and terms of borrowing facilities with external finance providers or to consider requesting written confirmation of third or related parties, including the entity's owner-manager, about their intent to provide necessary financial support.

Summary of Comments Received on Exposure

53. There was broad support from respondents for the requirements and application material for evaluating management's plans for future actions, noting that the enhancements proposed reflect best practice in this area. However, there were different views among respondents when it came to evaluating 'intent':
 - Some respondents suggested stronger requirements should be used for third or related parties, including the entity's owner-manager (e.g., replacing the word 'intent' with 'commitment of financial support' to convey a stronger message given that intentions may change). Suggestions also included requiring written evidence to be obtained for such intent (e.g., a support letter or an executed contract).
 - Some respondents disagreed with evaluating management's 'intent', given their view that intent is simply a desire to bring about a certain future outcome, which can easily change, and accordingly it would be onerous and subjective to require the auditor to obtain sufficient appropriate audit evidence about management's intent. In addition, there may be practical difficulties that could arise, such as refusal by a finance provider to provide written confirmation of financing.
54. Respondents also suggested linking the requirements to evaluate the method, significant assumptions and data used by management to those for evaluating management's plans for future actions, given that such plans may be based on forecasts.

IAASB Decisions

Evaluating Both Ability and Intent

55. The IAASB retained its view that both ability and intent are relevant aspects when evaluating management's plans for future actions and that both should be retained in the requirements. In forming its view, the IAASB considered that relegating evaluating 'intent' to the application material is inconsistent with the desire for enhancing *consistency* in practice, as application material cannot override obligations stated by the requirements of the ISAs. In addition, requiring the auditor to evaluate management's ability and intent remains aligned with requirements in other ISAs (such as in ISA 540 (Revised)) and is a concept introduced by certain jurisdictional equivalent going concern-related standards.¹⁴ The IAASB, however, enhanced the application material in paragraph A60 of ISA 570 (Revised 2024) to emphasize that the nature and extent of audit evidence to be obtained about management's intent and ability is a matter of professional judgment.

Written Commitment to Provide or Maintain Necessary Financial Support

56. In considering whether written evidence should be required from supporting parties about their intent to provide or maintain necessary financial support, the IAASB deliberated that there are broad differences across jurisdictions in terms of the legality and enforceability of such written confirmations, including taking into account the specific circumstances, which could impact the reliance that auditors are able to place on such audit evidence. Given the diversity in this area, the IAASB remained of the view that the application material of the standard addresses the range of considerations that may be relevant when written evidence is being obtained. However, the IAASB decided to reinforce the requirement in paragraph 28 of ISA 570 (Revised 2024) to explicitly require the auditor to *obtain audit evidence* about the ability and intent of third or related parties, including the entity's owner-manager, to provide or maintain necessary financial support.

Management's Plan Based on a Forecast

57. The new structure and approach of ISA 570 (Revised 2024) separates, in different sections of the standard, the evaluation of management's assessment (a 'gross' evaluation) from the evaluation of management's plans for future actions (a 'net' evaluation). Because these evaluations sit in different sections of the standard, the IAASB discussed that the link between the requirements to evaluate management's plans, when such plans are based on a forecast (e.g., a cash flow forecast), and those to evaluate the method, significant assumptions and data, is not explicit and the former would only apply when events or conditions have been identified. To make the linkage clearer, the IAASB added a new requirement in paragraph 27 of ISA 570 (Revised 2024) to evaluate the significant assumptions or data included in management's plans for future actions.

Section I – Explicit Statements About Going Concern in the Auditor's Report

Background

58. ED-570 included proposals to provide explicit statements in the auditor's report, either under the heading 'Going Concern' or 'Material Uncertainty Related to Going Concern,' about the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty

¹⁴ For example, see the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards (SAS) 132, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, paragraph 17.

has been identified. The IAASB believed that by doing so, the public interest would be served as it would offer transparency to intended users that the auditor has fulfilled their responsibilities in relation to going concern.

Summary of Comments Received on Exposure

59. MG respondents and stakeholders from the regulators and audit oversight authorities constituencies broadly supported the proposals to communicate explicit statements about going concern in the auditor's report. From the outreach with investors or users of financial statements, there was also support for providing explicit statements about going concern in the auditor's report, including comments that they are useful and are an improvement compared to the extant 'exception-based' going concern reporting model. Other stakeholder groups had a range of views, including views that both agreed or disagreed with the proposals.
60. Among the key concerns cited by some respondents were perspectives that, by providing explicit statements, this may be misinterpreted as an opinion on a discrete matter in the audit and imply a guarantee on the future viability of the entity. Concerns also included that, because management may not be required to provide explicit statements in the financial statements under the applicable financial reporting framework, this may widen the expectation gap by creating a perception that the auditor has greater responsibility than management for safeguarding the entity's ability to continue as a going concern.
61. Among respondents who disagreed with the proposals, there were also preferences to retain the 'exception-based' going concern reporting model, given views that the proposed statements provide little or no informational value to users, are unnecessary because the auditor's opinion already addresses the matters covered by the statements implicitly, undermine the informational value of the auditor's report when there are no going concern issues to highlight, and the risk of becoming a boilerplate disclosure that is overlooked.

IAASB Decisions

62. On the basis of the feedback across all stakeholder constituencies, the IAASB decided to retain, but refine, the explicit statements about going concern in the auditor's report, so they continue to convey relevant information to intended users of audited financial statements about the auditor's responsibilities and work related to going concern in a concise and understandable manner. The IAASB believes this remains an appropriate approach in relation to the established public interest project objective to strengthen the communication and reporting requirements of its extant going concern standard, that was informed through the information gathering and research activities, including from the DP.
63. In addition, the IAASB retained its view that there is a benefit for *comparability* and *consistency* in auditor reporting globally when all going concern commentary is provided under a single section of the auditor's report, by providing utility for users whereby they would not have to navigate through various sections of the auditor's report to access entity specific commentary about going concern.

Responsibilities of Management and Auditors in Relation to Going Concern

64. A prominent perspective in the feedback were concerns that by providing explicit statements about going concern in the auditor's report, this risks misalignment between management's and the auditors'

responsibilities in relation to going concern, given that the applicable financial reporting framework may not require management to provide equivalent statements in the financial statements.

65. The Auditor's Responsibility for the Audit of the Financial Statements section and the section on the Responsibilities of Management for the Financial Statements of the auditor's report already include the respective responsibilities of the auditor and management in relation to going concern.¹⁵ In considering suggestions to accumulate all of the statements related to going concern in the auditor's report collectively (i.e., management's responsibilities, the auditor's responsibilities and the auditor's explicit statements) to tell the full story in one place, or to relocate the auditor's responsibilities for going concern under the section for Going Concern to eliminate repetition, the IAASB discussed that:

- The auditor's and management's responsibilities address matters beyond going concern, such as their respective responsibilities in relation to fraud. Should the going concern responsibilities be relocated only, then this approach could be seen as inconsistent with the IAASB's approach for fraud proposed by the Exposure Draft for Proposed ISA 240 (Revised) (ED-240).¹⁶
- Having explicit sections in the auditor's report dealing with management's and the auditor's responsibilities was an important revision introduced to ISA 700 (Revised) as part of the Auditor Reporting project.
- Pursuing these proposals would necessitate changes to several requirements in ISA 700 (Revised) and would also require reconsideration about decisions previously made by the IAASB as part of the Auditor Reporting project. For example, it may have required further considerations related to the permitted flexibility in the placement of the description of the auditor's responsibilities, to deal with concerns about the increased length and standardized language of the auditor's report.¹⁷

66. Paragraph A79 of ISA 570 (Revised 2024) explains that the explicit statements about going concern represent the minimum information presented and that the auditor may provide additional information to supplement the required statements. The IAASB leveraged this paragraph to add an example that the auditor may cross-reference from the section on Going Concern to the respective responsibilities of the auditor and management with respect to going concern. In addition, the IAASB amended the circumstances in illustration 2 in the Appendix of ISA 570 (Revised 2024) to demonstrate how such a cross-reference can be provided in the auditor's report should the auditor choose to do so.

Opinion on a Discrete Matter in the Audit

67. The IAASB acknowledged respondents' suggestions to clarify that the explicit statements about going concern do not imply an opinion on a specific matter in the audit in addition to the opinion on the financial statements as a whole. Clarifying language was added to the statements, by leveraging concepts from ISA 701,¹⁸ to explain that the auditor's conclusion on the appropriateness of management's use of the

¹⁵ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraphs 39(b)(iv) and 33(b)

¹⁶ See the [Exposure Draft \(ED-240\), Proposed ISA 240 \(Revised\): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#).

¹⁷ For example, considerations related to circumstances when the description of the auditor's responsibilities for the audit of the financial statements is permitted to be provided in an appendix to the auditor's report or on a website of an appropriate authority as prescribed by paragraphs 41-42 of ISA 700 (Revised).

¹⁸ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

going concern basis of accounting is provided in the context of the audit of the financial statements as a whole and in forming the auditor's opinion thereon.

Guarantee on the Future Viability of the Entity

68. The IAASB deliberated that it is in the public interest to provide additional context to the explicit statements about going concern in the auditor's report to clarify that the scope of an audit does not include assurance on the future viability of the audited entity. Accordingly, changes were made to reinforce the context in which the statements are provided and in doing so, the IAASB remained mindful not to require extensive explanatory language in the statements.
69. The IAASB believes that it is appropriate to provide a reference that the statements *are not a guarantee as to the entity's ability to continue as a going concern*, given this is consistent with terminology already used in the auditor's report (i.e., the auditor's responsibilities refer to reasonable assurance as a high level of assurance, but *not a guarantee that an audit will always detect material misstatements when they exist*).

Clarity About the Meaning of the Going Concern Basis of Accounting

70. Some respondents were concerned that users may misinterpret the level of assurance provided by the auditor when concluding on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. The IAASB deliberated that paragraph 2 of ISA 570 (Revised 2024) provides an explanation for what the going concern basis of accounting means, i.e., that the entity is a going concern and will continue its operations for the foreseeable future unless management intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. This explanation remains consistent with definitions and explanations provided in recognized international financial reporting frameworks, such as the IFRS Accounting Standards and the standards of the IPSASB.

Other Considerations

71. The IAASB deliberated whether the explicit statements about going concern should be differentiated based on cases where management has (or has not) provided corresponding statements in the financial statements. The IAASB formed the view that pursuing such an approach adds complexity and impacts the conciseness of the statements as well as risks confusion for users which may impair their understandability. In addition, paragraph A79 of ISA 570 (Revised 2024) explains that the statements represent the minimum information to be provided, and the auditor is not precluded from providing additional information to supplement the statements.

Signposting When No Material Uncertainty Exists

72. The IAASB considered enhancements to the illustrative auditor's reports where no material uncertainty exists to differentiate from circumstances when there is a material uncertainty and decided to include an optional subtitle to illustrations 1-2 in the Appendix of ISA 570 (Revised 2024) to clearly signpost that no material uncertainty exists.

Section J – Enhanced Communication in the Auditor’s Report for Listed Entities

Background

73. For audits of listed entities, when events or conditions are identified that may cast significant doubt on the entity’s ability to continue as a going concern or when a material uncertainty exists, ED-570 proposed for the auditor to provide a description in the auditor’s report of how they evaluated management’s assessment. The IAASB believed that this would support the public interest as it provides clarity and transparency to intended users when there is a heightened uncertainty but management still concludes that no material uncertainty exists (e.g., for ‘close call’ situations) or provides additional informational content when a material uncertainty exists.
74. When forming its views about the applicability of the requirement, the IAASB considered a *proportionate* approach given that users of financial statements of listed entities usually do not have direct access to auditor communications with management about their work, including for the issues that were identified and addressed in the course of the audit. Accordingly, the IAASB believed that for intended users of financial statements of listed entities there is a clear public interest benefit in providing more informational content about the auditor’s work and inclusion of additional commentary about going concern in the auditor’s report.

Summary of Comments Received on Exposure

75. Respondents broadly supported providing a description of how the auditor evaluated management’s assessment of going concern when a material uncertainty exists. When no material uncertainty exists, respondents in general sought clarity for the threshold that would trigger reporting, given their views that not all events or conditions require significant judgments and therefore constitute ‘close call’ situations. From the feedback, there was also perceived ambiguity, risking inconsistent application, related to whether the term ‘events or conditions’ is referring to any event or condition that may have been identified and resolved at any time during the period being evaluated, or only to an event or condition that exists as of the date of approval of the financial statements. Concerns among respondents referred to the requirement being scoped too broadly, which may result in users misunderstanding the significance of an event or condition, or that it may capture reporting for circumstances other than ‘close call’ situations, risking the auditor providing original information in the auditor’s report, given that management may not be required by the applicable financial reporting framework to provide disclosures in the absence of significant judgments being made.
76. Some respondents suggested removing the threshold of events or conditions from the requirement that would result in extending the description in all circumstances for a listed entity or for retaining the KAM mechanism to provide the enhanced communication for ‘close call’ situations. There was also a preference from some respondents to use the KAM section, instead of the Going Concern section, as a placement to provide the required description.
77. With respect to the applicability of the requirement, there was clear support from MG respondents for extending the differential requirements for listed entities to apply to public interest entities (PIEs). Other respondents’ feedback was mixed, including both views that agreed or disagreed with extending the applicability of the differential requirements to entities other than listed entities. In addition, there was support from the outreach with investors or users of financial statements for extending the applicability to entities other than listed entities, including for PIEs. Notwithstanding the range of views, there was broad support across all stakeholder groups to consider this matter in

coordination with Track 2 of the Listed Entity and PIE project, given that this project, among other matters, is specifically considering whether the extant differential requirements in the ISAs should be amended to apply to 'publicly traded entities' or be extended to PIEs.

IAASB Decisions

Threshold for Reporting on 'Close Call' Situations

78. The IAASB acknowledged respondents' concerns that further clarity is necessary for the threshold that triggers the requirement to provide transparency in the auditor's report when events or conditions are identified that may cast significant doubt, but no material uncertainty exists, as it may scope in circumstances beyond 'close call' situations.
79. The IAASB discussed that while 'close call' situations remain undefined by the IFRS Accounting Standards, [education material](#) issued by the IFRS Foundation in January 2021 clarifies circumstances which constitute a 'close call' situation (i.e., when significant judgments are made by management in concluding that there is no material uncertainty). The educational material also refers to a 2014 IASB Interpretations Committee Agenda Decision¹⁹ that explains when significant judgments are made by management in concluding that there is no material uncertainty, paragraph 122 of IAS 1 would apply and require disclosures from management in the financial statements of those significant judgments.
80. The IAASB leveraged this guidance to clarify the threshold in paragraph 34(b) of ISA 570 (Revised 2024) that triggers the additional communication about going concern for audits of listed entities when no material uncertainty exists. The IAASB replaced the threshold 'events or conditions' with 'significant management judgments.' In addition, the IAASB also amended the requirement in paragraph 32 of ISA 570 (Revised 2024) to emphasize that the auditor evaluates, as applicable, whether the financial statements adequately disclose the significant judgments made by management in concluding that there is no material uncertainty.

The KAM Section as a Placement for Reporting on 'Close Call' Situations

81. In considering views to utilize the KAM section, instead of the Going Concern section, to provide enhanced transparency for reporting 'close call' situations, the IAASB considered the pros and cons of such a placement, taking into account that the expected work effort for the auditor would be the same, irrespective of where it is reported. The IAASB was also informed by consideration of the collective impact on the auditor's report as a result of the changes proposed to enhance transparency to intended users of financial statements about going concern and fraud in an audit of financial statements.²⁰
82. The IAASB deliberated that as part of the IAASB's project to revise the Auditor Reporting Standards, it was determined that a Material Uncertainty Related to Going Concern is by its nature a KAM. However, given its importance to users, it was determined at the time that it should be reported in a separate section of the auditor's report and not as a KAM. The IAASB decided that it makes sense for the same rationale to apply when auditors communicate about 'close call' situations. Therefore,

¹⁹ See [IFRIC-Update-July-2014.pdf \(ifrs.org\)](#).

²⁰ In September 2024, the IAASB discussed an illustrative auditor's report presented in [Agenda Item 9](#) that reflects the proposed revisions for enhancing transparency in the auditor's report to intended users of financial statements contemplated under its projects on going concern and fraud to holistically determine whether the collective impact of the changes proposed are *coherent* and *understandable*.

the IAASB expanded the application material in paragraph A1 of ISA 570 (Revised 2024) to indicate that such situations are also by their nature a KAM but are communicated in accordance with ISA 570 (Revised 2024). This serves the clearly signpost for users, in the separate Going Concern section of the auditor's report, a heightened risk situation in relation to going concern.

Differential Requirements That Apply to Listed Entities

83. ISA 570 (Revised 2024) includes differential requirements that apply to audits of listed entities (i.e., paragraphs 34(b) and 35(b) of ISA 570 (Revised 2024)). In addition, various application material paragraphs, as well as the illustrative auditor's reports 1–6 in the Appendix of ISA 570 (Revised 2024), refer to listed entities.
84. The IAASB noted the broad support across all stakeholder groups to consider amending the differential requirements that apply to audits of listed entities in coordination with Track 2 of the Listed Entity and PIE project. At the December 2024 IAASB meeting, where the Board approved ISA 570 (Revised 2024), the Board also decided to undertake an additional consultation step in relation to PIE Track 2, based on the position agreed for that project in December 2024. The position included to adopt a definition of 'publicly traded entity' as a replacement for 'listed entity' and to amend the differential requirements in the ISQMs and ISAs that apply to audits of listed entities, to apply to publicly traded entities. Subject to feedback received, the IAASB plans to approve the PIE Track 2 amendments in June 2025.

Section K – Other Matters

Professional Skepticism

85. Given the overall support from respondents, the IAASB retained the enhancements made for professional skepticism, including for explicitly embedding requirements supporting the application of professional skepticism when addressing going concern related matters and for considering the risk of management bias.

Communication with TCWG

86. Respondents to ED-570 were predominantly supportive of the enhancements to the requirements to encourage transparent, two-way communications between the auditor and management and TCWG about matters related to going concern, noting that the importance of timely communication throughout the engagement should also be emphasized. The IAASB acknowledged respondents' views and added an explicit reference in the requirements to highlight the need for communication on a *timely basis*.

Communication with Appropriate External Parties

87. From the feedback, there was broad recognition of the public interest value when auditors communicate significant going concern matters to appropriate authorities outside of the entity, given such communication facilitates transparency and provides early warning to regulatory and other authorities to enable timely actions and interventions. However, some respondents believed that the proposed requirement:
 - Did not add value, given it is conditional on mandatory requirements already established by national laws or regulations.

- Should be strengthened, to require communicating significant going concern matters to an appropriate authority regardless of law, regulation or relevant ethical requirements, unless prohibited from doing so.
88. In its deliberations, the IAASB formed the view that it is relevant to retain the requirement as it corresponds to the increased stakeholder expectations regarding the public interest role that auditors play in the financial reporting ecosystem. However, the IAASB also retained its view that national law or regulation is the proper means for establishing specific requirements to report to an appropriate authority outside of the entity.
89. In forming its view, the IAASB considered the need to develop a *globally operable* requirement that would be broadly applicable to all the various jurisdictional situations that may arise. For example, an unconditional approach could cause practical difficulties for auditors in its application and risks being inconsistently applied both within and across jurisdictions (e.g., when identifying an appropriate authority to communicate with and whether there is an authority in all jurisdictions that is able to receive and respond to the information, or for the communication process the auditor should follow considering jurisdictional variations). However, in considering feedback from its outreach with prudential regulators, the IAASB also acknowledged that ‘rights’ should be addressed in the requirement, in addition to responsibilities established by law or regulation, given that certain jurisdictions provide proactive, early engagement by the auditor with prudential supervisors through established rights, rather than responsibilities.
90. Further enhancements were also made to the application material by including examples to:
- Emphasize and encourage early and timely communication with appropriate external parties at the point in time when the going concern issues are identified rather than when they are reported in the auditor’s report.
 - Deliver a stronger message to encourage auditors to consider reporting significant going concern matters to an appropriate authority where the auditor has no such responsibilities established under law or regulation.
 - Refer to relevant ethical requirements that may require the auditor to consider whether further action is needed in the public interest. In addition, a cross-reference was provided to the NOCLAR provisions of the IESBA Code,²¹ given they may also be relevant, depending on the circumstances encountered during the audit engagement.

Considerations Specific to Public Sector Entities

91. There were cross cutting messages from respondents to ED-570 that further consideration is necessary to recognize the uniqueness of the public sector environment and to support proportionate application by auditors of entities operating in the public sector. In addition, comments were made that in certain instances, the public sector environment is not appropriately considered (e.g., when approved budgets are based on annual funding, management may be missing key information to prepare its going concern assessment for at least twelve-months from the date of approval of the financial statements).
92. In deliberating the feedback, the IAASB recognized that:
- The ISAs are relevant to engagements in the public sector but do not address additional

²¹ See [Section 360, Responding to Non-compliance with Laws and Regulations](#) of the *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards)*.

responsibilities of public sector auditors beyond the scope of an audit of financial statements (e.g., those affected by the audit mandate or by law or regulation).²²

- There is a broad range of entities that operate in the public sector (e.g., national, regional or local governments or related governmental entities), and given this range and diversity it is unlikely that a principle-based standard could provide sufficient guidance that could accommodate all circumstances that may arise.
 - There are also various approaches for going concern relevant to both preparers and auditors in the public sector across jurisdictions, as well as that national law or regulation may set different expectations for governmental or other public sector entities. Given this diversity, consistent application at the national level can best be provided through guidance and implementation support materials, for example from NSS.
93. The IAASB also remained cognizant of the fact that management's use of the going concern basis of accounting is also relevant to public sector entities. Therefore, the IAASB followed the current approach in the ISAs, which includes providing additional *Considerations Specific to Public Sector Entities* in the application material to assist in the application of the requirements of the standard in the audit of public sector entities and to respond to specific matters raised by the feedback (see application material paragraphs A20, A29 and A36 of ISA 570 (Revised 2024)).

Concluding on Whether a Material Uncertainty Exists

94. Some respondents, including two MG respondents, commented that guidance is needed to assist the thought process the auditor should follow in concluding whether a material uncertainty exists. In considering the feedback, the IAASB deliberated that the refinements proposed to the definition of Material Uncertainty (Related to Going Concern) post ED-570, now include an explicit link to management's plans for future actions, including that when such plans do not mitigate the effects of events or conditions that may cast significant doubt, then the definition implies that a material uncertainty exists. To further support the auditor's conclusion, the IAASB also included new application material in paragraph A72 of ISA 570 (Revised 2024) to emphasize that the auditor's conclusion on whether a material uncertainty exists is dependent on the auditor's evaluation of management's plans for future actions with examples of circumstances where this may be the case.

Written Representations and Documentation

95. Addressing written representations and specific documentation aspects was not contemplated by the targeted actions of the project proposal to revise extant ISA 570 (Revised). However, certain respondents, including MG respondents and stakeholders from the regulators and audit oversight authorities constituencies, encouraged the IAASB to strengthen the requirements in these areas.
96. The IAASB deliberated and agreed that:
- Because ISA 570 (Revised 2024) introduces a more robust approach over extant ISA 570 (Revised) to evaluate management's assessment in all instances and irrespective of whether events or conditions are identified that may cast significant doubt, it would be consistent with this approach to also strengthen the written representations required from management.

²² See ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph A62.

- Given that documentation is not a standalone topic but is rather inherently linked to the ‘performance’ aspects in the standards it would help promote consistent practice and behavior by incorporating subject-matter documentation requirements to clarify the application of paragraph 8 of ISA 230²³ in the context of going concern for areas where significant professional judgments are made.

Section L – Conforming and Consequential Amendments

97. The conforming and consequential amendments to other ISAs were updated, to the extent necessary, to maintain consistency with the revisions made to ISA 570 (Revised 2024) and to enable coherence, so the standards can continue to be applied together without conflict. The more substantive updates included the following:

- To support auditors in complying with the extended commencement date of the twelve-months period of management’s assessment, conforming and consequential amendments were made to the example of an audit engagement letter in ISA 210.
- The ‘right’ to report to an appropriate authority when the auditor identifies or suspects non-compliance with laws and regulations was addressed in ISA 250 (Revised)²⁴.
- Alignment changes were made to ISA 701 to recognize that when significant judgments are made by management in concluding that there is no material uncertainty this is also reported according to ISA 570 (Revised 2024) and not within the KAM section (the same as when a material uncertainty exists).
- Amendments were made to the illustrative auditor’s reports included in the appendices of ISA 510²⁵, and ISAs of the 700 and 800 series.

Section M – Effective Date

Background

98. In developing ED-570, the IAASB proposed an effective date for audits of financial reporting periods beginning approximately 18 months after IAASB’s approval of the final standard, with earlier application permitted or encouraged. The Explanatory Memorandum accompanying ED-570 also recognized the need for the IAASB to remain mindful about coordinating the possible effective date for ED-570 and the effective dates with other IAASB projects that are currently considering changes to the auditor’s report (i.e., the Fraud and Track 2 of the Listed Entity and PIE projects).

Summary of Comments Received on Exposure

99. Many respondents supported the proposed implementation period of 18 months after the IAASB’s approval of the final standard as a reasonable period for jurisdictions to implement the standard, including where translations are necessary. Some respondents were of the view that a longer implementation period (e.g., 24 months between the final date of approval of the standard and its effectiveness) would be appropriate, given that the revisions proposed will have a direct impact on preparers of financial statements, users and other stakeholders. Therefore, additional time is necessary

²³ ISA 230, *Audit Documentation*

²⁴ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

²⁵ ISA 510, *Initial Audit Engagements—Opening Balances*

to educate the affected parties and implementation processes to take place (e.g., management may need to update their information system to capture information for an extended going concern assessment period).

100. There was strong support from both those respondents who agreed or disagreed with the proposed effective date to coordinate the effective dates for ISA 570 (Revised 2024) with the Fraud and Track 2 of the Listed Entity and PIE projects, to avoid changes to the auditor's report impacting consecutive periods. Also, certain respondents expressed concern that encouraging early application may result in varying auditor's reports for the same or similar periods within the marketplace, potentially causing confusion for users of financial statements.

IAASB Decisions

Coordinating Effective Dates with Other IAASB Projects

101. The IAASB believes that coordinating the effective date with other projects that are currently considering changes to the auditor's report remains a key public interest consideration as it would support effective implementation and avoid consecutive changes to the auditor's report in short succession.
102. The IAASB decided that ISA 570 (Revised 2024) should be effective for audits of financial statements for periods beginning on or after December 15, 2026 (i.e., 2027 calendar year audits). This allows coordinating the effective dates between the Going Concern, Fraud and Track 2 of the Listed Entity and PIE projects, as well as provides for a sufficient implementation period and for national adoption processes in jurisdictions to occur (i.e., approximately 24 months after IAASB approval of the final standard and 21 months after PIOB certification).

Early Adoption

103. Because of the potential confusion for users if auditors' reports for the same or similar periods within the marketplace lack consistency, the IAASB believes that if early adoption is contemplated the collective changes arising from the Going Concern, Fraud and Listed Entity and PIE projects would need to be early adopted as a package, rather than on a piecemeal basis.

Appendix 1 – Mapping the Key Changes Proposed for ISA 570 (Revised 2024) to the Actions and Objectives in the Project Proposal that Support the Public Interest

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
<p>A. Project Objective: Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern.</p> <p>B. Project Objective: 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.</p>			
<p>AB.1: Requirements and Application Material – Risk Identification and Assessment</p> <p><i>Enhance requirements and application material through making targeted revisions to ISA 570 (Revised) to drive the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern.</i></p> <p>In doing so, more explicitly emphasizing the going concern aspects of the auditor’s understanding of the entity and the entity’s system of internal control (including how management undertakes the assessment of going concern) when identifying and assessing risks of material misstatement in accordance with ISA 315 (Revised 2019).</p>	Paras. 11–15	<p><i>Requirements</i></p> <p>New and enhanced requirements to:</p> <ul style="list-style-type: none"> • Enable a more robust approach for performing risk assessment procedures that will enable the auditor to determine in a timely manner, based on audit evidence obtained, whether events or conditions are identified that may cast significant doubt on the entity’s ability to continue as a going concern. • Perform risk assessment procedures related to going concern matters to obtain an understanding about the entity and its environment, the applicable financial reporting framework and the entity’s system of internal control by building on the foundational requirements in ISA 315 (Revised 2019). 	<ul style="list-style-type: none"> • <i>Scalability</i> • <i>Relevance</i> • <i>Implementability, and ability of being consistently applied and globally operable</i> • <i>Coherence</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
	Paras. A7–A10; A12–A32	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> • Address scalability. In particular, to provide examples that demonstrate where the nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity. • Provide more current examples of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. • Strengthen the link to ISA 240²⁶ where the identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern may also be indicative of fraud risk factors. • Provide guidance and examples in respect of the auditor's application of ISA 315 (Revised 2019) through a 'going concern lens.' 	
<p>AB.2: Requirements or Application Material – Timeline for Assessment</p> <p><i>Consider enhancing the requirements or application material to:</i></p> <ul style="list-style-type: none"> • <i>Extend the timeline for the assessment period to at</i> 	Paras. 21–23; 29	<p><i>Requirements</i></p> <ul style="list-style-type: none"> • Change in the commencement date of the twelve-month period of management's assessment, which is used as the basis for the auditor's evaluation, from the date of the financial statements to the date of approval 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Clarity and conciseness</i> • <i>Implementability, and ability of being consistently applied and</i>

²⁶ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
<p><i>least twelve months from the date of approval of the financial statements, or the date the auditor's report is signed.</i></p> <ul style="list-style-type: none"> <i>Evaluate the reasonableness of management's assessment period based on conditions specific to the entity's facts and circumstances, including subsequent events.</i> <p>In doing so, consider applicable financial reporting framework requirements that address the timeline for assessment.</p>		<p>of the financial statements.</p> <ul style="list-style-type: none"> Enhanced requirements and stronger links to ISA 560²⁷ if information becomes known after the date of the auditor's report but before the financial statements are issued. Strengthened requirements when management is unwilling to make or extend its assessment to at least twelve-months from the date of approval of the financial statements. 	<i>globally operable</i>
	Paras. A50–A57; A66	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> Explain that management and TCWG may provide the auditor additional information to support the appropriateness of the period used by management in its assessment or about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Emphasize that the level of detail and formality of management's update to extend its assessment may vary from entity to entity and that a less formal update or lack of detailed analysis to support the update may not necessarily prevent the auditor from concluding on the appropriateness of 	

²⁷ ISA 560, *Subsequent Events*

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
		<p>management's use of the going concern basis of accounting.</p> <ul style="list-style-type: none"> Support practical application of the auditor's request to management to extend its commencement period of assessment such as making management aware, at a sufficiently early stage of the audit engagement, of the request to management to provide a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements. 	
<p>AB.3: Requirements or Application Material – Information from Sources External to the Entity</p> <ul style="list-style-type: none"> <i>Enhance application material to emphasize consideration of information from sources external to the entity (e.g., media releases, industry outlooks) when evaluating whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.</i> <i>Enhance requirements or application material to clarify the considerations, including the intent and ability, related to when written evidence to provide financial support is obtained from a third-party, and for whether and in what circumstances this constitutes sufficient appropriate audit evidence.</i> 	Para. 26–28	<p><i>Requirements</i></p> <ul style="list-style-type: none"> New requirement for the auditor to obtain audit evidence about the intent and ability of a third or related party, including the entity's owner-manager, when financial support by such parties is necessary to support management's assessment of going concern. 	<ul style="list-style-type: none"> <i>Scalability</i> <i>Relevance</i>
	Paras. A17; A28; A59–A65	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> Provide guidance for the auditor's consideration of requesting a written confirmation from third or related parties, including the entity's owner-manager, and for the terms and conditions of borrowing facilities, including scalability considerations. 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
		<ul style="list-style-type: none"> Provide guidance when finance providers are reluctant to confirm to an entity or the auditor that borrowing facilities will be renewed. Emphasize how information from sources external to the entity can be leveraged in the auditor's work related to going concern. 	
<p>AB.4: Definitions and Application Material – ‘Material Uncertainty Related to Going Concern’ and Other Terminology in ISA 570 (Revised)</p> <p><i>Consider if it is necessary to describe or define ‘Material Uncertainty Related to Going Concern’ and enhance application material to clarify key concepts such as ‘significant doubt,’ and other related terminology.</i></p> <p>In doing so, consider:</p> <ul style="list-style-type: none"> The importance of alignment between definitions and descriptions set out in financial reporting frameworks and the auditing standards. How NSS have addressed this issue at jurisdictional levels. 	Paras. 10; A5–A6	<p><i>Definition</i></p> <ul style="list-style-type: none"> Defined ‘Material Uncertainty (Related to Going Concern)’ that encapsulates an explanation for the phrase ‘may cast significant doubt,’ with supporting application material. 	<ul style="list-style-type: none"> <i>Clarity and conciseness</i> <i>Implementability, and ability of being consistently applied and globally operable</i>
<p>AB.5: Application Material – Technology</p> <p><i>Enhance application material in ISA 570 (Revised) to reflect the auditor’s use of technology to perform the auditor’s work related to going concern.</i></p> <p>In doing so, remaining mindful of maintaining a balance of not ‘dating’ the standard by referring to technologies</p>	Paras. A7; A13; A42; A46	<p><i>Application Material</i></p> <ul style="list-style-type: none"> New and enhanced application material to incorporate examples of automated tools and techniques and emphasize the impact of technology on the auditor’s work related to going concern. 	<ul style="list-style-type: none"> <i>Relevance</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
that may change and evolve, including consulting with a technology expert(s) or the Technology Consultation Group, as needed.			
<p>AB.6: Requirements and Application Material – Management’s Assessment of Going Concern</p> <p><i>Enhance requirements and application material to strengthen the auditor’s evaluation of management’s assessment of going concern.</i></p> <p>In doing so, applying the concepts introduced in ISA 540 (Revised), such as in relation to the auditor’s evaluation of management’s method, assumptions and data, and recognizing circumstances when specialized knowledge or skill is needed.</p>	Paras. 16–17; 19; 24–25; 39–40; 44	<p><i>Requirements</i></p> <p>New and enhanced requirements to:</p> <ul style="list-style-type: none"> • Perform audit procedures to evaluate management’s assessment of going concern, irrespective of whether events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern. • Perform audit procedures to evaluate the method, significant assumptions and data used by management to make its assessment of going concern by leveraging concepts in ISA 540 (Revised). In doing so, emphasized scalability by taking into account the results of the risk assessment procedures performed. • Explicitly request management to update its assessment and for the auditor to perform audit procedures, when necessary, on such revised assessment, when the auditor identifies events or conditions that may cast doubt on the entity’s ability to continue as a going concern that management has not previously identified or disclosed to the auditor. • Strengthen the written representation 	<ul style="list-style-type: none"> • <i>Scalability</i> • <i>Clarity and conciseness</i> • <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i> • <i>Coherence</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
		<p>requirements from management, given the more robust approach in the standard to evaluate management’s assessment in all instances.</p> <ul style="list-style-type: none"> Promote consistent practice and behavior regarding documentation when applying ISA 230. 	
	<p>Paras. A33–A36; A38–A46; A58; A97</p>	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> Explain what is to be understood by the term ‘method’ in the context of the standard, including that a method for assessing going concern may be based on using qualitative or quantitative information that involve applying assumptions and data. Address scalability. In particular, to provide examples that demonstrate how the auditor’s procedures may vary depending on the method, significant assumptions and data used by management to assess the entity’s ability to continue as a going concern. More robustly challenge the method, significant assumptions and data used by management to make its assessment of going concern, including considering the risk of management bias. 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
<p>AB.7: Requirements and Application Material – Professional Skepticism</p> <p><i>Emphasize the robust exercise of professional skepticism when performing procedures related to going concern, through:</i></p> <ul style="list-style-type: none"> • <i>Enhancing requirements and application material for the auditor to design and perform procedures that are not biased towards obtaining audit evidence that may be corroborative or towards excluding evidence that may be contradictory.</i> • <i>Enhancing requirements and application material for the auditor to evaluate whether judgments made by management in making their assessment, even if they are individually reasonable, include indicators of possible management bias.</i> • <i>Using action-oriented language in the revised standard.</i> <p>In doing so, take into account how the concept of professional skepticism has been incorporated in recently revised standards (e.g., ISA 315 (Revised 2019) and ISA 540 (Revised)).</p>	Paras. 18; 30	<p><i>Requirements</i></p> <p>New requirements to:</p> <ul style="list-style-type: none"> • Emphasize the importance of professional skepticism when evaluating management’s assessment in a manner that is not biased towards obtaining audit evidence that may be corroborative or excluding audit evidence that may be contradictory. • Evaluate whether the judgments and decisions made by management in making its assessment of going concern, even if they are individually reasonable, are indicators of possible management bias. 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Coherence</i>
	Paras. A11; A37; A68–A71	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> • Enhance the link to the requirement in ISA 315 (Revised 2019) for the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. • Emphasize the relevance of identifying indicators of possible management bias and the impact on the audit. 	

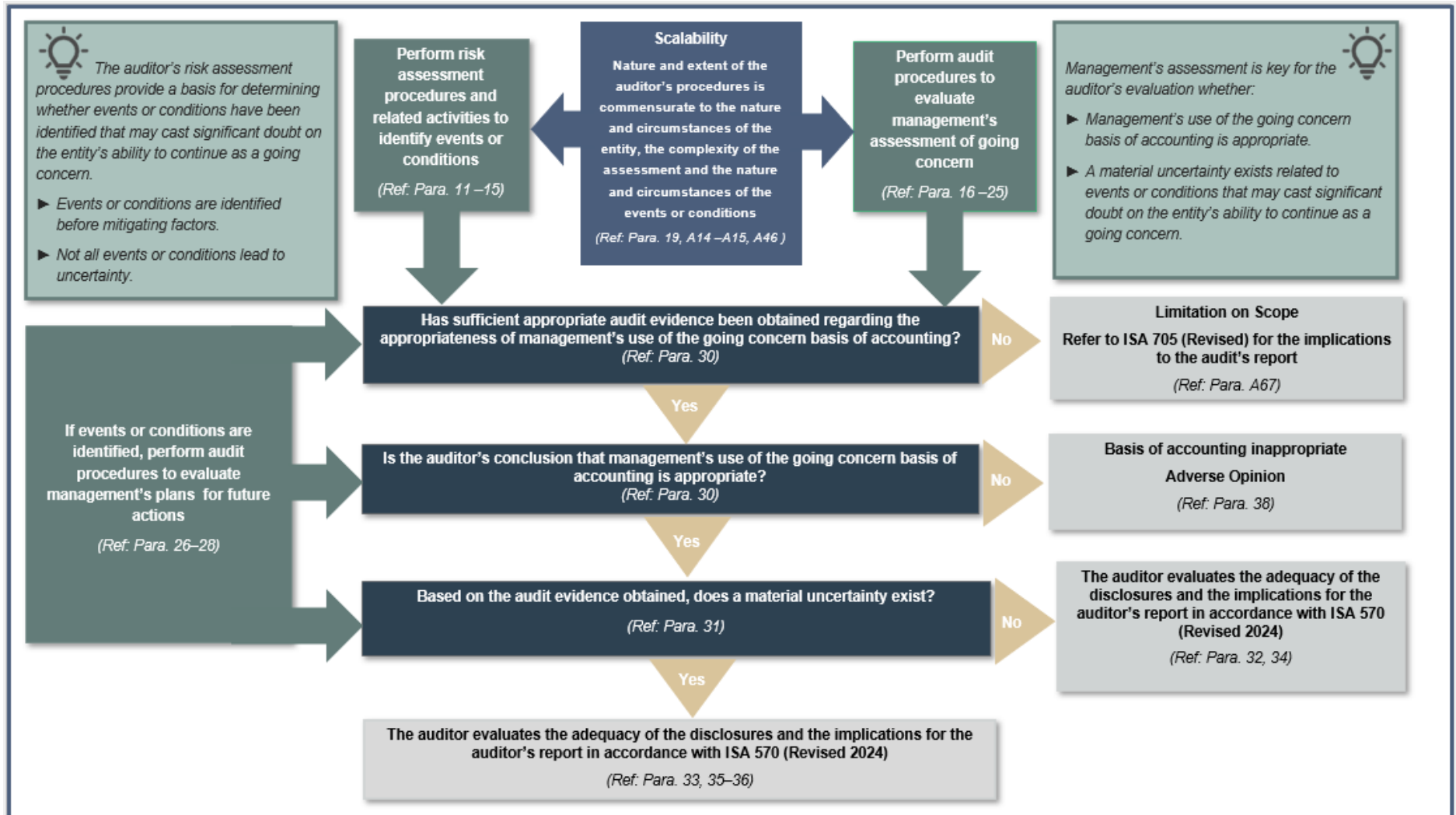
Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
C. Project Objective: Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.			
C.8: Requirements and Application Material – Communication with TCWG <i>Enhance the requirements and application material to strengthen required communications with TCWG, including encouraging more appropriate two-way communication, addressing the timeliness of the communications, and emphasising the ongoing nature of communications with TCWG.</i>	Paras. 12(f); 41–42	Requirements <ul style="list-style-type: none"> Strengthened communication requirements with TCWG to enhance transparency and timely, two-way, communication throughout the audit when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern. New requirement to obtain an understanding, as part of the risk assessment procedures and related activities, how TCWG exercise oversight over management’s assessment of the entity’s ability to continue as a going concern. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>
	Paras. A21–A22; A98–A101	Application Material <ul style="list-style-type: none"> New application material in support of the proposed requirements and added emphasis for circumstances when it may be appropriate to consider whether a significant deficiency in internal control related to going concern should be communicated to TCWG. 	
C.9: Requirements and Application Material – Communication with Appropriate External Parties <i>Enhance the requirements and application material in</i>	Para. 43	Requirements <ul style="list-style-type: none"> New requirement for the auditor to consider whether law or regulation requires or 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
<p><i>ISA 570 (Revised) with respect to the auditor’s communications with external parties, including with relevant regulatory authorities (as applicable), when issues are identified relating to going concern, including instances when no further action is taken by management or TCWG.</i></p> <p>In doing so, monitor any implementation feedback for extended communication requirements made in certain jurisdictions and consider if similar changes on a global level would be useful.</p>		<p>establishes responsibilities or rights under which reporting may be appropriate to an appropriate authority outside the entity for circumstances when a Material Uncertainty Related to Going Concern is included in the auditor’s report or a modified opinion is issued.</p>	
	Paras. A102–A105	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • Examples and factors for the auditor to consider when reporting to an appropriate authority outside the entity, including considering the timing of such communication. 	
<p>C.10: Requirements and Application Material – Transparency About Going Concern in the Auditor’s Report</p> <p><i>Enhance the requirements and application material in ISA 570 (Revised), where appropriate, to increase transparency in the auditor’s report about the auditor’s responsibilities and work related to going concern.</i></p> <p>This includes considering enhancing auditor reporting for situations where:</p> <ul style="list-style-type: none"> • The auditor concludes that no material uncertainty exists, and management’s use of the going concern assumption is appropriate. • Significant judgment was required to conclude that 	Paras. 32–33; 34–38	<p><i>Requirements</i></p> <p>New requirements to:</p> <ul style="list-style-type: none"> • Provide explicit statements about going concern in a separate section of the auditor’s report when the basis of accounting is appropriate, and no material uncertainty exists. • When significant judgments are made by management in concluding that no material uncertainty exists or when a Material Uncertainty Related to Going Concern section is provided, describing in the auditor’s report of a listed entity how the auditor evaluated management’s 	<ul style="list-style-type: none"> • <i>Proportionality</i> • <i>Relevance</i> • <i>Clarity and conciseness</i> • <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i>

BASIS FOR CONCLUSIONS: ISA 570 (REVISED 2024) INCLUDING CONFORMING AND CONSEQUENTIAL AMENDMENTS TO OTHER INTERNATIONAL STANDARDS ON
AUDITING (ISAs)

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ISA 570 (Revised 2024)		Qualitative Standard-Setting Characteristics Considered
	Paragraph	Description	
<p>no material uncertainty related to going concern exists, after having identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern (i.e., ‘close call’ situations).</p> <ul style="list-style-type: none"> • A ‘Material Uncertainty Related to Going Concern’ paragraph is required (i.e., to expand the informational content of such paragraph to describe how the auditor addressed this matter in the audit). 		<p>assessment of going concern.</p> <ul style="list-style-type: none"> • Clarified requirements regarding the adequacy of disclosures, including the requirement for the auditor to evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about events or conditions and the significant judgments made by management in concluding that there is no material uncertainty. 	
	<p>Paras. A73–A77; A78–A96; Appendix</p>	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • New application material, leveraging ISA 701, to support consistent application of the proposed auditor reporting requirements. • Guidance regarding the amount of detail to be provided in the auditor’s report to describe how the auditor evaluated management’s assessment. 	

Appendix 2 – Walkthrough of the Auditor’s Decision-Making Process for Going Concern



Note: The chart depicts a walkthrough of the auditor's decision-making process for going concern, rather than the audit process itself. The dark blue boxes highlight the auditor's decisions in respect of concluding whether the going concern basis of accounting is appropriate and whether a material uncertainty related to going concern exists.

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