



# GOING CONCERN

## International Standard on Auditing (ISA) 570 (Revised 2024)

FACT SHEET APRIL 2025

### WHAT

The revised standard addresses the **auditor's responsibilities** in an audit of financial statements relating to **going concern** and the **implications for the auditor's report**.



### HOW

ISA 570 (Revised 2024) includes new and revised requirements and application material to **strengthen the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern** as well as **communication and reporting on matters related to going concern**.

### WHEN

The revised standard becomes **effective** for audits of financial statements for periods beginning on or after **December 15, 2026**.

**15 DECEMBER 2026**

EFFECTIVE DATE

### WHY WAS THE GOING CONCERN STANDARD REVISED?

Corporate failures worldwide have raised questions about auditors' responsibilities, while global challenges such as war and pandemics have intensified focus on going concern. These factors have heightened stakeholder expectations for a more robust standard and greater transparency in auditors' work related to going concern. In response, the IAASB has enhanced and clarified its auditing standard on going concern to ensure it remains fit for purpose in today's evolving macroeconomic and geopolitical landscape.

### WHICH AUDITS DOES THE STANDARD APPLY TO?



ISA 570 (Revised 2024) applies to **all audits of financial statements**, irrespective of their type, size or complexity. For audits of financial statements of listed entities, additional auditor reporting requirements apply in circumstances when:

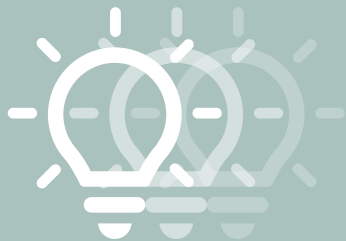
- Significant judgments are made by management in concluding that there is no material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
- When there is a material uncertainty.

### WHAT OUTCOMES DOES THE REVISED STANDARD AIM TO ACHIEVE?

ISA 570 (Revised 2024) aims 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.
- **Enhance transparency** with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.

## SIGNIFICANT CHANGES



### CLARITY FOR KEY CONCEPTS AND TERMINOLOGY

New definition for **Material Uncertainty Related to Going Concern (MURGC)** that explains the phrase *may cast significant doubt*. The definition aims to promote consistency in application across jurisdictions and support understanding of this core concept that may apply to both auditors and preparers in the appropriate context.

### STRENGTHENED AUDITOR'S WORK EFFORT

ISA 570 (Revised 2024) sets out an enhanced framework for the auditor's work on going concern.

#### **Risk Assessment Procedures and Related Activities**

ISA 570 (Revised 2024) requires the design and performance of robust risk assessment procedures, which support auditors in determining, on a timely basis, whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. The standard also provides clarity by emphasizing that such events or conditions are identified on a gross basis—before consideration of mitigating factors included in management's plans for future actions.



#### **Management's Assessment of Going Concern**

Regardless of whether events or conditions are identified, auditors are required to evaluate management's assessment of going concern, including the significant management judgments on which the evaluation is based. Such evaluations address the method, significant assumptions, and data used by management.



#### **Period of Management's Assessment**

The auditor is required to:

- Evaluate management's assessment of going concern that covers a period of at least twelve months from the date of approval of the financial statements.
- Request management to extend its assessment if a different period is used and take further actions if management is unwilling to extend its assessment including, discussing with management, and where appropriate, those charged with governance the reasons for management's decision.

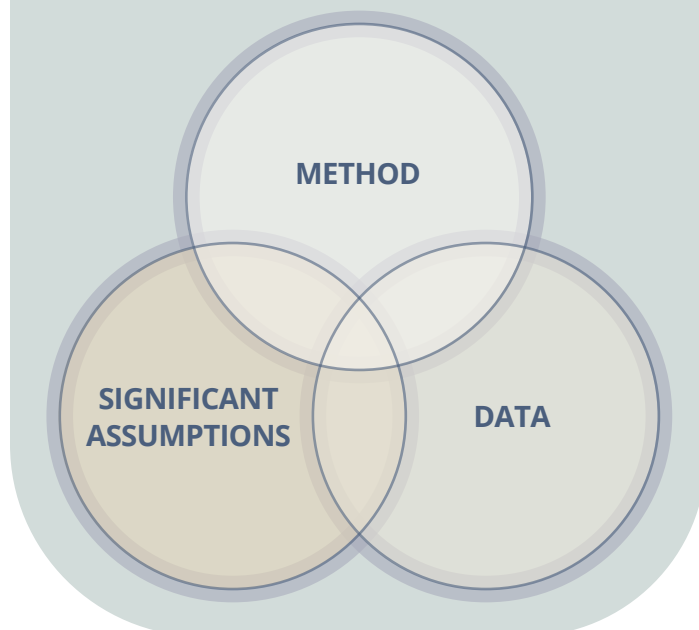


#### **Management's Plans for Future Actions**

ISA 570 (Revised 2024) requires the auditor to evaluate both the intent and ability of management to carry out specific courses of actions in their plans for future actions. Additionally, the auditor must obtain audit evidence about such intent and ability if financial support is provided by third or related parties, including the entity's owner-manager.



### UNDERPINNING THE JUDGMENTS MADE BY MANAGEMENT WHEN ASSESSING GOING CONCERN



## SIGNIFICANT CHANGES (Cont.)

### REINFORCED AND ROBUST COMMUNICATIONS

ISA 570 (Revised 2024) strengthens and clarifies the:

- Importance of timely, two-way communications with **those charged with governance** throughout the audit engagement for matters pertaining to going concern.
- Obligation of the auditor to communicate with **appropriate authorities outside the entity** when law, regulation or relevant ethical requirements set out requirements, responsibilities or rights to do so.



### ENHANCED TRANSPARENCY TO USERS OF AUDITOR'S REPORTS

The revised standard introduces an enhanced auditor reporting model for going concern. This includes reporting either in **a new section under the heading 'Going Concern'** or in a section with a heading 'Material Uncertainty Related to Going Concern'.

- When the going concern basis of accounting in the preparation of the financial statements is appropriate and unless the auditor disclaims an opinion on the financial statements, the standard requires explicit statements to be provided in the auditor's report to enhance transparency that the auditor has fulfilled their responsibilities in relation to going concern.
- When significant judgments are made by management in concluding that there is no material uncertainty or when a material uncertainty exists that is adequately disclosed, the standard requires additional communication for audits of financial statements of listed entities.

#### Overview of the New Reporting Model When the Auditor's Opinion Is Not Modified in Relation to Going Concern

*Illustrations available in the Appendix of the Standard*

<i>Applicability</i>	<b>Going Concern Section</b> (No Material Uncertainty Exists)	<b>MURGC Section</b> (Material Uncertainty Exists and Adequate Disclosure is Made in the Financial Statements)
<b>For all entities</b>	The auditor explicitly states that: <sup>(*)</sup> <ul style="list-style-type: none"> <li>• They concluded that management's use of the going concern basis of accounting is appropriate</li> <li>• A material uncertainty has not been identified</li> </ul>	The auditor explicitly states that: <sup>(*)</sup> <ul style="list-style-type: none"> <li>• They concluded that management's use of the going concern basis of accounting is appropriate</li> <li>• A material uncertainty exists</li> <li>• The auditor's opinion is not modified</li> </ul>
<b>For listed entities</b>	<ul style="list-style-type: none"> <li>• When significant judgments are made by management in concluding that there is no material uncertainty, a description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern</li> </ul>	<ul style="list-style-type: none"> <li>• A description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern</li> </ul>

<sup>(\*)</sup> Accompanying context is provided to the explicit statements to emphasize that they are not an opinion on a discrete matter in the audit nor a guarantee as to the entity's ability to continue as a going concern. In addition, when a material uncertainty exists, the auditor is required to include a reference to the related disclosure(s) in the financial statements.

## ADDITIONAL CHANGES

### INCREASED FOCUS ON THE ADEQUACY OF DISCLOSURES

Enhanced requirements to reinforce the auditor's evaluation of whether the financial statements adequately disclose, when applicable, the significant judgments made by management in concluding that there is no material uncertainty.

### CLARITY FOR THE RELATIONSHIP WITH KEY AUDIT MATTERS (KAMS)

The IAASB has clarified the scope of the standard and its relationship with communicating KAM by emphasizing that when significant judgments are made by management in concluding that there is no material uncertainty or when a material uncertainty exists, these circumstances are by their nature KAMs; however, they are reported in accordance with ISA 570 (Revised 2024).

### MODERNIZING FOR AN EVOLVING ENVIRONMENT

New guidance and examples to emphasize how technology and information from sources external to the entity can be leveraged in the auditor's work related to going concern.

### KEEPING THE GOING CONCERN STANDARD FIT FOR PURPOSE

Strengthened written representation requirements and new going concern documentation requirements for professional judgments made by the auditor.

### GUIDANCE FOR PROPORTIONATE APPLICATION TO PUBLIC SECTOR ENTITIES

New considerations to assist with application of the requirements of the revised standard in the audit of the financial statements of public sector entities.



## SCALABILITY

To support scalable application for audits of all sizes and complexities, the revised standard:

- Explicitly recognizes in the requirements that the nature and extent of the auditor's procedures to evaluate the method, significant assumptions, and data used by management, takes into account the results of the risk assessment procedures performed.
- Provides application material and examples to support scalable application to smaller or less complex entities.

## EMPHASIZING THE IMPORTANCE OF PROFESSIONAL SKEPTICISM

ISA 570 (Revised 2024) includes new and enhanced requirements to support the application of professional skepticism as part of the auditor's evaluation of management's assessment of going concern. Auditor's must:

- Design and perform audit procedures that are not biased toward obtaining audit evidence that may be corroborative or toward excluding audit evidence that may be contradictory.
- Evaluate whether judgments and decisions made by management are indicators of possible management bias.








## RESOURCES AND TOOLS

Further implementation support materials are available on the [IAASB website](#).

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Find out more about the IAASB at [www.iaasb.org](http://www.iaasb.org)

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