

## HOW THE IAASB'S REVISED GOING CONCERN AND FRAUD STANDARDS REINFORCE PROFESSIONAL SKEPTICISM

### *IAASB Professional Skepticism Consultation Group (PSCG) Update*

The [Professional Skepticism Consultation Group](#) of the IAASB provides input and support to project teams, as needed, on professional skepticism-related matters, including how the auditor exercises professional skepticism and maintains professional skepticism throughout the audit. Consultation group members are: [Sami Alshorafa](#), [William Edge](#), [Chrystelle Richard](#), [Wendy Stevens](#) and [Eric Turner](#). The IAASB staff contact is [Hankensen Jane L. Talatala](#).

This non-authoritative publication is issued by the Staff of the International Auditing and Assurance Standards Board® (IAASB®).

This publication is intended to assist in the adoption and implementation of the recently issued Going Concern (April 2025) and Fraud (July 2025) standards by highlighting the IAASB's efforts to reinforce professional skepticism within the revisions of both standards. It does not amend or override the International Standards on Auditing (ISAs), the text of which alone are authoritative. Reading this publication is not a substitute for reading the ISAs. It is not intended to be exhaustive, and reference to the ISAs should always be made. This publication does not constitute an authoritative or official pronouncement of the IAASB.

### Introduction

Professional skepticism is a fundamental concept in auditing.

ISA 200<sup>1</sup> defines it as “an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence.”

It is a concept grounded in ISA 200,<sup>2</sup> which includes a core requirement for the auditor to “plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated.” While there is no single way in which professional skepticism can be demonstrated, professional skepticism is relevant and necessary throughout the audit.

To support the consistent performance of quality audits, we at the IAASB continue its focus on how professional skepticism may be addressed in our standard-setting projects. In December 2024 and March 2025, the IAASB approved the [revised standards on going concern and fraud](#). Both revised standards are effective for audits of financial statements for periods beginning on or after December 15, 2026.

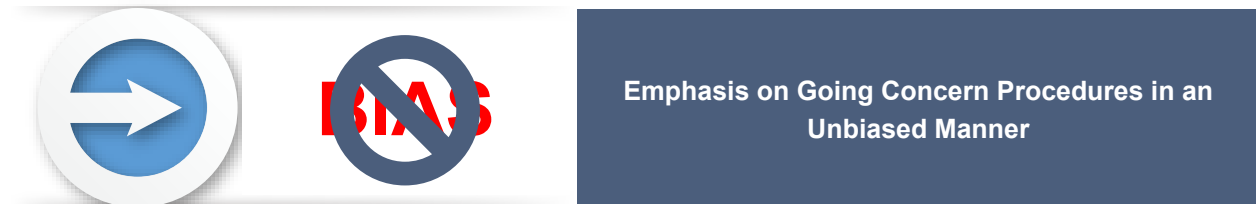


<sup>1</sup> International Standard on Auditing (ISA) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(l)

<sup>2</sup> ISA 200, paragraph 15

## Revised Going Concern Standard

Key changes in ISA 570 (Revised 2024), *Going Concern*, address how the IAASB reinforced the importance, throughout the audit, of the appropriate exercise of professional skepticism when performing procedures related to going concern. These include (relevant paragraphs in the standard are referenced in parenthesis):



- Adding a requirement (paragraph 18) for the auditor to evaluate management's assessment of the entity's ability to continue as a going concern without bias—ensuring consideration of both corroborative and contradictory audit evidence.
- Adding application material (paragraphs A11 and A37) that:
  - Emphasizes the connection to the foundational requirement in ISA 315 (Revised 2019)<sup>3</sup> to design and perform risk assessment procedures without bias—again considering both corroborative and contradictory audit evidence. An unbiased approach may help auditors identify potentially contradictory information, which in turn supports professional skepticism when identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and that may also indicate a risk of management bias in the financial statements.
  - Clarifies that obtaining audit evidence in an unbiased manner may include gathering evidence from a variety of internal and external sources. It also notes that the auditor is not required to perform an exhaustive search for all possible sources of audit evidence and provides examples of both corroborative and contradictory information when evaluating management's going concern assessment.



- Adding requirements (paragraphs 19 and 30(a)–(b)) for the auditor to:
  - Evaluate the method, significant assumptions and data used by management in assessing the entity's ability to continue as a going concern.

<sup>3</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

- Evaluate whether management's judgments and decisions in making its going concern assessment, even if they are individually reasonable, may collectively indicate possible management bias.
- Consider all audit evidence obtained, whether consistent or inconsistent, and whether corroborative or contradictory.
- Adding application material (paragraphs A40, A42, A45, A68, A69 and A71) to:
  - Support the auditor in evaluating—and, where appropriate, challenging—the method, significant assumptions and data used by management in its assessment, including considering the risk of management bias.
  - Explain that the susceptibility to management bias—whether intentional or unintentional—may increase with the degree of estimation uncertainty, complexity and subjectivity in management's going concern assessment.
  - Provide examples of indicators of possible management bias.
  - Strengthen the connection to ISA 240 (Revised)<sup>4</sup> by clarifying that when management intends to mislead, such bias is considered fraudulent, and the auditor may need to consider whether it constitutes a material misstatement due to fraud.



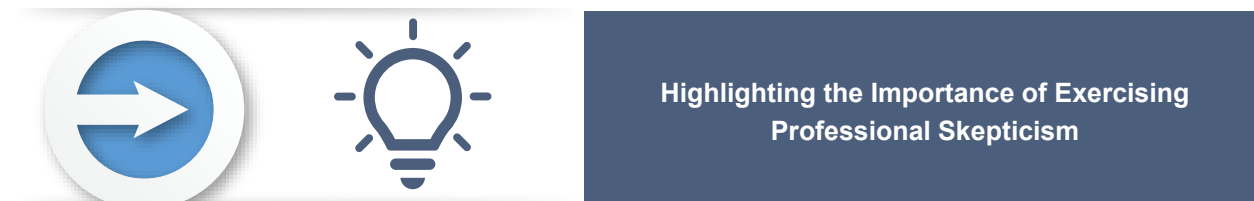
**Remaining Alert About Fraud Risk Factors Arising from Events and Conditions**

- Adding new application material (paragraph A8) to support the auditor in maintaining professional skepticism when identifying events or conditions that may cast significant doubt about the entity's ability to continue as a going concern. The new material highlights the circumstances when such events or conditions may indicate a fraud risk factor to be further considered under ISA 240 (Revised).

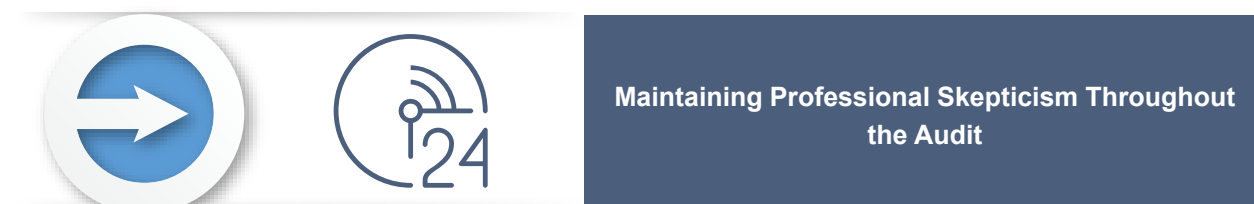
<sup>4</sup> ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

## Revised Fraud Standard

Professional skepticism throughout an audit was also reinforced and emphasized in revisions to fraud-related audit procedures in ISA 240 (Revised). These include (relevant paragraphs in the standard are referenced in parenthesis):



- Adding introductory material (paragraphs 12–13) emphasizing the importance of exercising professional skepticism when planning and performing an audit, as referenced to ISA 200. These paragraphs describe how professional skepticism underpins the auditor's exercise of professional judgment and reinforce its role as a key concept when addressing the auditor's responsibilities relating to fraud in an audit of financial statements.
- Adding application material (paragraphs A13–A14) referring to ISQM 1<sup>5</sup> to highlight how the firm's commitment to an effective system of quality management supports the consistent exercise of professional skepticism and enhances the quality of judgments made at the engagement level.

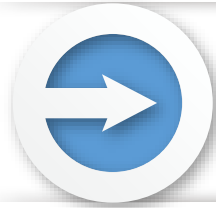


- Retaining the existing requirement (paragraph 19) for the auditor to maintain professional skepticism throughout the audit, recognizing the possibility that a material misstatement due to fraud could exist. However, the IAASB removed the reference to *"notwithstanding the auditor's past experience of the honesty and integrity of the entity's management and those charged with governance"* to reinforce the expectation that the auditor approaches each audit with a "fresh pair of eyes." This change responds to concerns that referring to the auditor's preconceptions and past experience may unintentionally undermine the exercise of professional skepticism.
- Adding application material (paragraph A30) to:
  - Clarify the connection to ISA 220 (Revised)<sup>6</sup> by including examples of impediments to professional skepticism at the engagement level, such as unconscious or conscious biases that may influence the engagement team's professional judgments, along with actions that may be taken to mitigate those impediments.

<sup>5</sup> International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

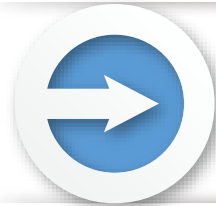
<sup>6</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

- Provide illustrative examples that demonstrate the exercise of professional skepticism in practice.



### Remaining Alert for Information that Is Indicative of Fraud or Suspected Fraud

- Adding a requirement (paragraph 20) for the auditor to remain alert throughout the audit for information indicating the presence of one or more fraud risk factors, or other circumstances that may be indicative of fraud or suspected fraud.
- Adding application material (paragraphs A28–A29) that:
  - Provide examples of potential sources of information that may reveal circumstances indicative of fraud or suspected fraud.
  - Highlight specific circumstances that may arise at or near the end of the audit and could indicate fraud or suspected fraud.



### Investigating Inconsistent Responses to Inquiries

- Enhancing the requirement (paragraph 21) for the auditor to investigate inconsistent responses to inquiries by expanding its scope to include responses from management, those charged with governance, *individuals within the internal audit function, or others within the entity*.
- Adding application material (paragraph A94) emphasizing that the auditor may determine it necessary to corroborate management's responses with information from other sources, recognizing that management is often in the best position to perpetrate fraud.

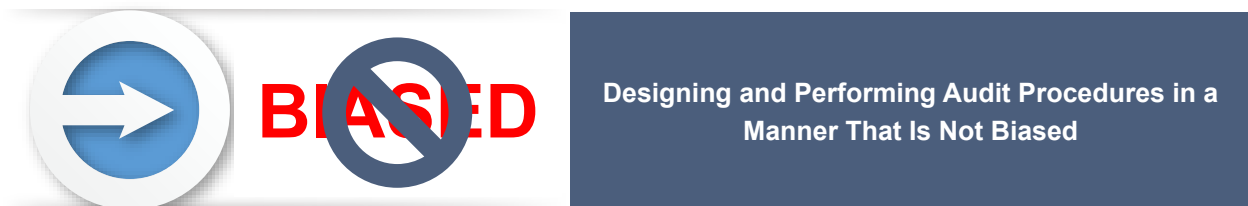


### Authenticity of Records and Documents

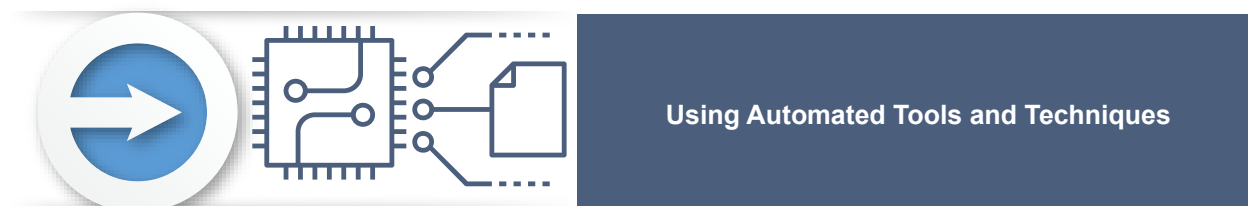
- Retaining the conditional requirement (paragraph 22) for the auditor to investigate further if conditions identified during the audit give rise to concerns about the authenticity of a document or undisclosed modifications to its terms. However, the IAASB removed the reference to “*unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine*” to avoid undermining the requirement. This sentence was considered unnecessary and potentially redundant,

as paragraph 22 of ISA 240 (Revised) specifically addresses situations involving potential fraud—making the repetition of the general principle from ISA 200 (paragraph A24) repetitive in this context.

- Adding application material (paragraphs A35 and A37) to:
  - Clarify that the requirement in paragraph 22 of ISA 240 (Revised) is triggered when the auditor identifies relevant conditions either:
    - While performing audit procedures in accordance with ISA 240 (Revised) or other ISAs, including ISA 500;<sup>7</sup> or
    - Based on information from other sources, whether internal or external to the entity.
  - Provide examples of conditions that may lead the auditor to believe that a record or document is not authentic, or that its terms have been modified but not disclosed to the auditor.
  - Explain that if additional audit procedures indicate that a record or document is not authentic, the auditor may determine that the circumstances are indicative of fraud or suspected fraud, and accordingly, performs the audit procedures in accordance with paragraphs 55–58.



- Adding a requirement (paragraph 42) for the auditor to design and perform audit procedures in response to assessed risks of material misstatement due to fraud in a manner that is not biased, either towards evidence that supports management's assertions or against evidence that may contradict them.



- Adding application material (paragraph A9) explaining that the use of automated tools and techniques (ATT) may enhance the auditor's ability to apply professional skepticism—such as by analyzing large data sets, identifying unusual trends, or challenging management's assertions. However, the use of ATT does not replace the need to maintain professional skepticism and judgment throughout the audit.

<sup>7</sup> ISA 500, *Audit Evidence*

This document was prepared by the Staff of the IAASB.

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