

Going Concern

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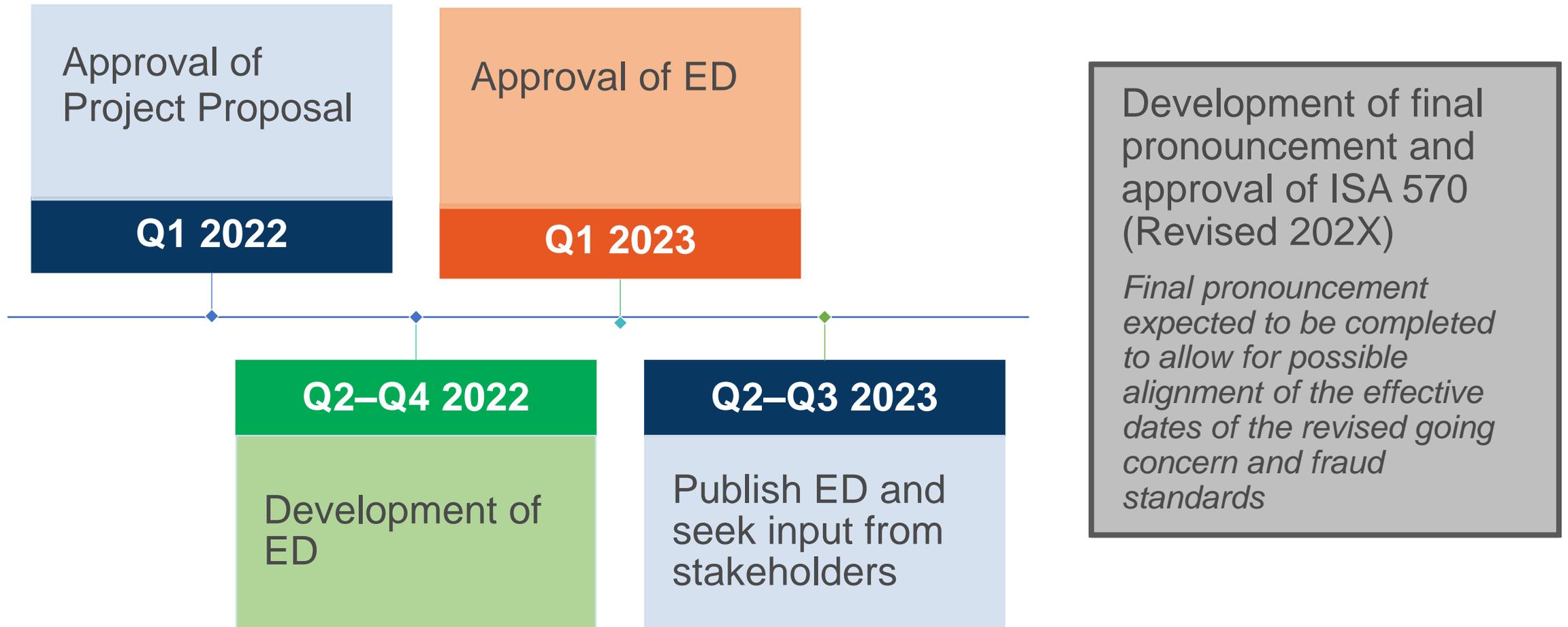
IAASB CAG Meeting
March 7-8, 2023
Agenda Item B.1

Agenda

**Report progress since
the September 2022
CAG discussion
Reminder of Key
Proposals in the ED**

**Obtain CAG views on
the Exposure Draft (ED)
for Proposed ISA 570
(Revised 202X),
*Going Concern***

Project Timeline and Key Milestones



Recap of Project Objectives that Support the Public Interest

- A. Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern
- B. 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
- C. Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements

Key Topics Discussed with the IAASB to Date

June 2022	September 2022	December 2022	
Timeline Over Which the Going Concern Assessment Is Made	Terminology	Information from Sources External to the Entity	 <p>Focused on the Targeted Actions of the Project Proposal</p>
Communication with Those Charged with Governance (TCWG)	Risk Assessment and Identification	Audit Techniques – Use of Technology	
Communication with Appropriate External Parties	Management's Assessment of Going Concern	Conforming and Consequential Amendments	
Transparency About Going Concern in the Auditor's Report	Professional Skepticism	First Full Draft of ISA 570 (Revised)	

Key Proposals in the ED

Terminology

- Definition of Material Uncertainty (Related to Going Concern) based on existing description in extant ISA 570 (Revised)
- Clarity for the phrase “may cast significant doubt”

**Para.
10;
A4–A5**

Risk Assessment and Identification

- Changes to demonstrate the integrated nature of proposed ISA 570 (Revised 202X) and ISA 315 (Revised 2019)
- Strengthening and enhancing requirements and application material for a more robust identification of whether events or conditions exist

**Para.
11–15;
A6–A28**

Key Proposals in the ED (Cont.)

Timeline Over Which the Going Concern Assessment is Made

- Change in the commencement date of the period of the auditor's evaluation of management's assessment to at least twelve months from the date of approval of the financial statements
- Application material for the auditor's consideration of the appropriateness of management's assessment period
- Enhanced requirements to consider information that becomes available after (or subsequent) to the date that management made its assessment

**Para.
19–23;
28–29;
A39–A45;
A54–A55**

Key Proposals in the ED (Cont.)

Management's Assessment of Going Concern

- Enhancements to require a more robust evaluation of management's assessment of going concern
- Required audit procedures to evaluate the method, assumptions and data used by management to make its assessment
- Procedures on management's revised assessment when necessary if events or conditions exist that management has not previously identified or disclosed to the auditor

**Para.
16; 18;
24–25;
A29–A31;
A33–A38;
A46**

Key Proposals in the ED (Cont.)

Professional Skepticism

- New requirements and application material to reinforce a more robust exercise of professional skepticism and to evaluate the risk of management bias

**Para.
17; 30;
A10; A32;
A56–A59**

Information from Sources External to the Entity

- Requirements for the auditor to evaluate the intent and ability of a third or related party, including the entity's owner-manager, to provide necessary financial support
- Emphasis on how information from sources external to the entity can be leveraged in the auditor's work related to going concern

**Para.
26–27;
A16; A25;
A47–A53**

Key Proposals in the ED (Cont.)

Audit Techniques – Use of Technology

- Incorporating examples of automated tools and techniques and emphasis on the impact of technology on the auditor's work related to going concern

Para.
A6; A12;
A36; A38

Communication with TCWG

- Strengthened requirements and new application material building on the foundational requirements in ISA 260 (Revised)
- Enhancing timely, two-way communication with TCWG

Para.
12(f); 41;
A19–A20;
A85–A87

Communication with Appropriate External Parties

- New requirement and application material leveraging on ISA 250 (Revised). Reminder of auditor's responsibility to report to others

Para.
42;
A88–A91

Key Proposals in the ED (Cont.)

Transparency About Going Concern in the Auditor's Report

- For all entities – explicit statements about Going Concern
 - That management's use of the going concern basis of accounting is appropriate
 - No material uncertainties related to events or conditions have been identified
- For listed entities – additional information provided
 - How the auditor evaluated management's assessment of going concern
- Guidance for when the auditor would expect disclosures in the financial statements (i.e., for “close call” situations, rather than for all circumstances when events or conditions exist)

**Para.
35–39;
A60;
A66–A83**

Matters for IAASB CAG Consideration



Question 1

Representatives are asked for views on the draft ED presented in **Agenda Item B.2** that will be presented to the IAASB for approval at the March 2023 meeting

Matters for IAASB CAG Consideration



Question 2

Representatives are asked whether there are any other matters the Going Concern Task Force should consider in finalizing the exposure draft of proposed ISA 570 (Revised 202X)

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