

Please note: This is the IAASB Going Concern Issues Paper that was discussed by the Board at the December 2022 IAASB quarterly meeting (Agenda Item 4). This paper is provided to the IAASB CAG Representatives in March 2023 for reference purposes.

Revision of ISA 570 (Revised), *Going Concern – Issues*

Objective:

The objective of the IAASB discussion in December 2022 is to obtain the Board's input on the:

- Going Concern Task Force's (GC TF) initial views and recommendations addressing selected topics on going concern in an audit of financial statements (see **Section I** of this Agenda Item and related paragraphs in **Agenda Item 4-A**).
- Proposed ISA 570 (Revised) and changes made since September 2022 (see **Section II** of this Agenda Item and related paragraphs in **Agenda Item 4-A**).
- Proposed conforming and consequential amendments arising from the revision of ISA 570 (Revised) (see **Section III** of this Agenda Item and **Agenda Item 4-B**).

Approach to the Board Discussion:

The GC TF Chair will go through the questions in the order they are set out in this Agenda Item and where applicable, will refer to the draft of proposed ISA 570 (Revised) presented in **Agenda Item 4-A** and the proposed conforming and consequential amendments included in **Agenda Item 4-B**.

Introduction

1. At the September 2022 IAASB meeting, the GC TF presented to the Board its initial views and recommendations for several key issues and the related proposed actions identified in the [project proposal](#) for the revision of ISA 570 (Revised), *Going Concern*, for terminology, risk identification and assessment, management's assessment of going concern and professional skepticism. In addition, the IAASB was presented with the changes considered and made by the GC TF to the drafting paragraphs of ISA 570 (Revised) in response to Board feedback for the topics that were deliberated at the June 2022 IAASB meeting.
2. The IAASB broadly supported the GC TF proposals and provided specific comments for the topics discussed to be considered further in the development of the exposure draft for proposed ISA 570 (Revised). The draft September 2022 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 5-9, 2022* webpage.
3. This paper sets out the:
 - **Section I:** GC TF initial views and recommendations for the remaining key issues and the related proposed actions identified in the project proposal, specifically for information from sources external to the entity and audit techniques – use of technology.
 - **Section II:** explanation of changes considered and made by the GC TF to proposed ISA 570 (Revised).

- **Section III:** proposed conforming and consequential amendments as a result of the proposed revisions to ISA 570 (Revised)
- **Section IV:** way forward.

Materials Presented—Appendices, Other Agenda Items and Supplements Accompanying This Paper

4. This Agenda Item includes the following appendix, other agenda items and supplements:

Appendix 1	GC TF members and update on activities since September 2022
Agenda Item 4-A	Proposed ISA 570 (Revised), <i>Going Concern</i>
Agenda Item 4-B	Proposed conforming and consequential amendments arising from the revision of ISA 570 (Revised)
Agenda Item 4-C (Supplemental)	Mapping of the GC TF proposals to the standard-setting actions and the qualitative characteristics of the project proposal (for reference)
Agenda Item 4-D (Supplemental)	Clean version of proposed ISA 570 (Revised), <i>Going Concern</i> (presented in Agenda Item 4-A (for reference))

Applying the CUSP Drafting Principles and Guidelines¹

5. In October and November 2022, an independent review was undertaken to ensure that the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines have been consistently applied in the development of proposed ISA 570 (Revised) included in **Agenda Item 4-A**.

Coordination Activities

6. In August 2022, views and inputs were sought from the Auditor Reporting Consultation Group (ARCG) for the newly developed Illustration presented in the Appendix of **Agenda Item 4-A**, that depicts a circumstance when the going concern basis of accounting is appropriate, events or conditions that may cast doubt² have been identified and no material uncertainty exists (see paragraph 59).
7. In addition, in November 2022, views and inputs were sought from the Technology Consultation Group (TCG) for the issues and proposed drafting related to technology discussed in **Section I** of this Agenda Item (see paragraph 18).

Addressing the Standard-Setting Actions Included in the Project Proposal

8. In developing the revisions to proposed ISA 570 (Revised), the GC TF remained focused on the targeted nature of the standard-setting actions envisaged by the project proposal and considered the

¹ See the [CUSP Drafting Principles and Guidelines](#).

² For the purpose of this Agenda Item, events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are referred to as "events or conditions that may cast doubt" in an abbreviated manner.

qualitative characteristics³ as criteria to assess the proposed standard's responsiveness to the public interest. **Agenda Item 4-C** provides a table that compares the GC TF proposals to date to address the standard-setting actions of the project proposal and the qualitative characteristics considered.

Section I – GC TF Proposals for Selected Topics on Going Concern

Information from Sources External to the Entity

Relevant Paragraphs in Agenda Item 4-A :	Paras. 16CA and A6B, A7AA, A10C, A16D, A17A–A17B, A18A–A18B, A19–A19AA, A35A
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Going Concern Project Proposal – Key Issues and Proposed Actions

9. The project proposal included actions to address the key issues related to information from sources external to the entity (see key issues in paragraph 26(c) and action AB.3 in paragraph 35 of the [project proposal](#) for the revision of ISA 570 (Revised)).

GC Task Force Initial Views and Recommendations

Background Information Considered

10. The GC TF considered enhancements made in other jurisdictions to national going concern-related standards (e.g., the equivalent ISA 570 (Revised) standards in the UK⁴ and USA⁵). In addition, the GC TF considered comments and emphasis made by CAG Representatives at their September 2022 meeting relating to the importance to the auditor of considering information from sources external to the entity when evaluating management's assessment of going concern.

Leveraging Information from Sources External to the Entity

11. The GC TF proposes enhancements to several paragraphs in the application material to emphasize how information from sources external to the entity can be leveraged in the auditor's work related to going concern (see paragraphs A6B, A7AA, A10C, A16D and A17A of **Agenda Item 4-A**).

Financial Support from Third Parties

12. The GC TF notes that respondents to the Discussion Paper (DP)⁶ suggested various options in respect of financial support from third parties, in particular:
 - (a) A requirement for the auditor to obtain written evidence of the intent of a supporting party to provide financial support when that third-party support is necessary in supporting management's assertion about the entity's ability to continue as a going concern for a reasonable period of time;

³ See paragraph 36 of the project proposal and the Public Interest Framework (PIF) included in the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

⁴ See the UK Financial Reporting Council (FRC) standard [ISA UK 570, Going Concern](#), paragraphs A7-1, A8-10–A8-15

⁵ See the American Institute of Certified Public Accountants (AICPA) standard [AU-C Section 570, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern](#) paragraphs .17, .A32–.A38

⁶ 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](#).

- (b) A requirement for the auditor to obtain sufficient appropriate evidence about the ability of the supporting party to provide the necessary financial support; and
 - (c) Articulation of the concept of obtaining sufficient appropriate audit evidence about "intent" and "ability" and the related application guidance which provides further context and clarity.
13. The GC TF proposes a new requirement and application material (see paragraphs 16CA and A19–A19AA of **Agenda Item 4-A**) for the auditor to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, when financial support by such parties is necessary to support management's assessment of going concern, including consideration of requesting written confirmation.
14. The GC TF also propose that a clarification is provided in paragraph A35A of **Agenda Item 4-A** to highlight an example when the auditor may still request a written representation from management to determine the validity of the related terms and conditions in the written confirmation obtained from a related party, including the entity's owner-manager.

Other Proposed Enhancements

15. Paragraph A17A of **Agenda Item 4-A** was merged with paragraph A17B in order to streamline the examples of auditor's procedures relevant to evaluating management's plans for future actions.
16. In addition, new application material has been proposed in paragraphs A18A–A18B of **Agenda Item 4-A** for the auditor's consideration of requesting an external confirmation for the existence and terms of borrowing facilities between the entity and the external finance providers as well as to provide guidance for circumstances when finance providers may be reluctant to confirm to an entity or their auditor that borrowing facilities will be renewed.

Matter for the IAASB Consideration:

1. The Board is asked for its views on the GC TF initial proposals for information from sources external to the entity discussed in paragraphs 10-16 of the Issues paper and as reflected in the relevant paragraphs included in **Agenda Item 4-A**.

Audit Techniques – Use of Technology

Relevant Paragraphs in **Agenda Item 4-A**:

Paras. A3, A4DD, A16BB, A16B, A16D

Going Concern Project Proposal – Key Issues and Proposed Actions

17. The project proposal included actions to address the key issues related to audit techniques – use of technology (see key issue in paragraph 26(e) and action AB.5 in paragraph 35 of the [project proposal](#) for the revision of ISA 570 (Revised)).

GC Task Force Initial Views and Recommendations

18. Leveraging the input provided by certain IAASB Staff with the requisite technology expertise and views and inputs of the TCG, enhancements have been proposed to the application material to incorporate examples of automated tools and techniques and to emphasize the impact of technology on the auditor's work related to going concern.

19. This includes (refer to the relevant paragraphs in **Agenda Item 4-A**):
- (a) Adding cyber security risks to the non-exhaustive list of events or conditions that may cast doubt in paragraph A3.
 - (b) Adding new application material and examples to support the auditor’s use of technology in the risk assessment procedures and related activities in paragraph A4DD.
 - (c) Adding new application material and examples to support the auditor’s use of technology when evaluating the method, assumptions and data used by management in making its assessment of going concern in paragraphs A16BB, A16B and A16D.

Matter for the IAASB Consideration:

2. The Board is asked for its views on the GC TF initial proposals for audit techniques – use of technology discussed in paragraphs 18-19 of the Issues paper and as reflected in the relevant paragraphs included in **Agenda Item 4-A**.

Section II – Proposed ISA 570 (Revised) and Changes Made Since September 2022

20. **Agenda Item 4-A** includes a first full draft of proposed ISA 570 (Revised). This section provides an explanation of the key changes⁷ considered and proposed by the GC TF.

Terminology

*Relevant Paragraphs in **Agenda Item 4-A**:*

Paras. 9A and A2C, A2D

Feedback Received in September 2022

21. The Board directed the GC TF to consider:
- (a) Aligning the terminology in proposed ISA 570 (Revised) with the defined term “Material Uncertainty (Related to Going Concern).”
 - (b) Whether the phrase “individually *or* collectively” used in the definition of Material Uncertainty (Related to Going Concern) in paragraph 9A of proposed ISA 570 (Revised) should be revised to “individually *and* collectively” to clarify that the events or conditions that may cast doubt should be considered in aggregate.
 - (c) Enhancing the application material to the definition in paragraph A2C of proposed ISA 570 (Revised). Comments were made that the reference to “material” and “reasonably be expected to influence the economic decisions of intended users” in paragraph A2C of ISA 570 (Revised) should be elevated to the definition and if this reference is appropriately aligned with ISA 320⁸ when discussing materiality in the context of an audit of financial statements.
 - (d) Providing clarity for the term “significant doubt” used in the definition.

⁷ This section explains only the key changes and the rationale for the changes that have been made by the GC TF. Minor editorial changes or changes previously discussed in **Section I** are not explained.

⁸ ISA 320, *Materiality in Planning and Performing an Audit*

GC TF Discussion and Recommendations

Changes to Align Terminology

22. The GC TF considered and made further alignment changes to the draft of ISA 570 (Revised) included in **Agenda Item 4-A** for consistency of terminology with the newly defined term Material Uncertainty (Related to Going Concern). In certain instances, where the context was appropriate, this included simplifications by replacing the “long form” of the phrase (i.e., “material uncertainty that may cast doubt on the entity’s ability to continue as a going concern”) with the “short form” (i.e., “material uncertainty”).
23. However, in considering the alignment changes for terminology, the GC TF also believed that it is still appropriate to retain the “long form” in certain instances, as for example when providing the explicit statements in the auditor’s report. This was considered necessary to keep the wording aligned with the auditor’s responsibilities section of the auditor’s report as required by ISA 700 (Revised).⁹

Use of Phrase “Individually or Collectively”

24. In considering Board comments, the GC TF notes that the conjunction “or” used in the phrase “individually or collectively” is appropriate in terms of the drafting conventions applied in the ISAs¹⁰ as it implies (in the context of the ISAs) that the events or conditions that may cast doubt are to be considered *either* individually or collectively or *both* individually or collectively. However, the GC TF acknowledges that the use of the phrase may add complexity to the definition and require other alignment changes elsewhere in proposed ISA 570 (Revised), as well as in other ISAs.
25. The GC TF also notes that the phrase “individually or collectively” is not consistently used in the extant standard. For example, while the phrase is used in extant paragraphs 10, 18 and A3 of ISA 570 (Revised) it is not used elsewhere in the standard, for example in the auditor’s objective stated in extant paragraph 9(b) of ISA 570 (Revised). The GC TF is of the view that to simplify the text of the standard and resolve inconsistencies with the objective, as well as avoid further alignment changes, the phrase “individually or collectively” should be retained and explained in the application material (see explanation added to paragraph A3 of **Agenda Item 4-A**).

Application Material to the Definition

26. Acknowledging Board feedback that the application material in paragraph A2C of **Agenda Item 4-A** may not add particular value in terms of clarifying the definition, given the guidance provided is repetitive of material included in the definition, the GC TF propose to remove the paragraph.

Clarifying Significant Doubt

27. The GC TF have provided new application material in paragraph A2D of **Agenda Item 4-A** to clarify the term “significant doubt” used in the definition.
28. To inform its approach the GC TF considered previous deliberations by the International Accounting Standards Board (IASB)¹¹ on the topic, and definitions and requirements in US GAAP for the term “substantial doubt.” The GC TF notes that both IAS 1, *Presentation of Financial Statements* and US

⁹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁰ See Section 5. “Terminology Used In And Across the ISAs” of the [CUSP Drafting Principles and Guidelines](#).

¹¹ See [Agenda Item AP12](#) of the November 13-14, 2012 IASB meeting and [Agenda Item 8B](#) of the November 2013 IASB meeting.

GAAP are similar in terms of requiring management to consider the impact of the “events or conditions that may cast doubt”:

- (a) *Before* mitigating factors that could cause the entity to liquidate or to cease trading (IAS 1) or not to be able to meet its obligations as they become due within one year after the date that the financial statements are issued (US GAAP).
- (b) *After* management has deployed mitigating actions, outside of the normal course of business, to counterbalance the adverse effects of the events or conditions that may cast doubt.

Matter for the IAASB Consideration:

- 3. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for terminology.

Risk Identification and Assessment

29. The table below provides an overview of the key changes made for risk identification and assessment:

Agenda Item 4-A Ref.	Change Made Since September 2022 and Explanation
Paragraphs 10A and A6G–A6GG	<ul style="list-style-type: none"> • In bullet (h), the requirement was broken up into two new subparagraphs to emphasize that the auditor’s understanding of the entity’s information system in relation to going concern includes a focus on two separate matters: (i) management’s identification of the method, data and assumptions in making its assessment of the entity’s ability to continue as a going concern; and (ii) the entity’s financial reporting as it relates to the going concern disclosures. Alignment changes were also made to the supporting application material.
Paragraphs 11B and A7C	<ul style="list-style-type: none"> • New application material was added to emphasize matters the auditor may consider in determining whether a significant control deficiency exists related to management’s assessment of the entity’s ability to continue as a going concern.
Paragraphs A3, A6A	<ul style="list-style-type: none"> • The non-exhaustive list of events or conditions that may cast doubt and the examples of business risks were supplemented to recognize risks and impacts of sustainability related matters, including the impacts of climate risk.
Paragraph A4B	<ul style="list-style-type: none"> • Clarifications were added to the application material to emphasize that the risk assessment procedures may assist the auditor to identify events or conditions that may cast doubt and that the auditor uses professional judgment to determine the nature and extent of the risk assessment procedures.

Agenda Item 4-A Ref.	Change Made Since September 2022 and Explanation
Paragraph A4D	<ul style="list-style-type: none"> The example of risk assessment procedures relevant to the auditor's understanding of the applicable financial reporting framework was revised and made more specific by referring to inspecting disclosures about the significant judgments and assumptions management makes about the future included in the entity's latest available financial statements.

30. The GC TF also considered comments made by the Board in September 2022, that it may be more appropriate for the requirement in paragraph 10A(a) of **Agenda Item 4-A** to refer to the entity's controls related to the entity's business model, objectives, strategies, and business risks. However, no change was proposed given that the requirement in paragraph 10A(g) of **Agenda Item 4-A** already addresses for the auditor to obtain an understanding of entity's risk assessment process to identify, assess and address business risks relating to events or conditions that may cast doubt. The GC TF also considered that the auditor's understanding in accordance with ISA 315 (Revised 2019)¹² is in relation to the entity's policies and procedures (i.e., controls) and re-emphasizing policies or procedures in this regard was considered repetitive, and potentially circular.

Matter for the IAASB Consideration:

4. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for risk identification and assessment.

Management's Assessment of Going Concern

31. In September 2022, the Public Interest Oversight Board (PIOB) expressed its preference to further strengthen proposed ISA 570 (Revised) for the auditor to develop their own expectation of going concern, not just review the analysis and assessment provided by management.¹³ Similar comments were included in the PIOB's [public interest issues](#) relevant to the project, along with an encouragement for the IAASB to further explore how to make explicit in the standard the need for the auditor to make an assessment independent from that of management and design audit procedures in response to the assessed risks.
32. In considering the comments provided by the PIOB, the GC TF discussed that the proposed enhancements to ISA 570 (Revised) address strengthened requirements for:
- Risk assessment procedures for the auditor to, irrespective of management's assessment, identify events or conditions that may cast doubt and for the auditor to determine whether the audit evidence obtained from such procedures indicates the existence of events or conditions that may cast doubt that management has not previously identified or disclosed to the auditor.
 - More robust evaluation of management's assessment by the auditor. This includes to robustly challenge the method, assumptions and data used by management to make its assessment of going concern and in doing so to evaluate the risk of management bias. In addition, the auditor

¹² ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

¹³ See the draft September 2022 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 5-9, 2022* webpage

is required to consider whether management’s assessment of going concern includes all relevant information of which the auditor is aware as a result of the audit.

33. The GC TF deliberated whether proposed ISA 570 (Revised) can be further strengthened and in doing so, whether it could leverage paragraphs 27, A115–A117 of ISA 540 (Revised)¹⁴ that set out requirements and guidance for when management has not taken appropriate steps to address estimation uncertainty in its selection of a point estimate and related disclosures.
34. The GC TF formed the view that it would be in the public interest to add a new requirement and supporting application material in proposed ISA 570 (Revised) (see paragraphs 16BB and A16E of **Agenda Item 4-A**) to explicitly request management to update its assessment and for the auditor to perform audit procedures on such revised assessment when events or conditions that may cast doubt are identified that management has not previously identified or disclosed to the auditor. The application material includes linkages to other paragraphs in proposed ISA 570 (Revised) that are relevant to the auditor’s design and performance of additional audit procedures.
35. However, the GC TF believes it would not be operable, in the context of ISA 570 (Revised), to require the auditor to make an assessment independent from that of management (i.e., develop the auditor’s own expectation of management’s assessment of going concern). In forming its view, the GC TF considered:
 - (a) The context of the respective responsibilities of management and those of the auditor in relation to going concern. For example, the auditor does not have influence over management’s strategies and plans for future actions that may mitigate the significance of identified events or conditions that may cast doubt (e.g., plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital) and would therefore be unable to independently from management develop its own expectation of going concern.
 - (b) The nature and circumstances of the entity. For example, in a complex entity (e.g., a financial institution such as an international banking group) the auditor’s work effort to independently from management develop their own expectation of going concern would not be a workable solution in the scope of an audit of financial statements.
36. In addition, the following key changes were made in the section on evaluating management’s assessment of going concern:

Agenda Item 4-A Ref.	Change Made Since September 2022 and Explanation
Paragraph 12	<ul style="list-style-type: none"> • Bullets (a)-(b) were removed from the requirement. The GC TF considered this was appropriate given there was overlap between the requirements in bullets (a)-(b) with the auditor’s obligations stated in the objectives in paragraphs 9(a)-(b) of ISA 570 (Revised). In addition, the supporting application material to the requirement already clarified the two components included in management’s assessment of going concern that are of relevance to the auditor’s evaluation.
Paragraph 12A	<ul style="list-style-type: none"> • The paragraph was simplified by linking to the auditor’s procedures required by paragraph 12. The GC TF is of the view that it is

¹⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Agenda Item 4-A Ref.	Change Made Since September 2022 and Explanation
	unnecessary to repeat in the requirement that the auditor’s procedures relate to evaluating management’s assessment of going concern.
Paragraphs 16D–16E and A19BB	<ul style="list-style-type: none"> The period for which the auditor considers additional information that becomes available after management made its assessment was clarified to include the period after the date on which management made its assessment and before the date the financial statements are issued. In response to Board comments, the example was clarified in terms of its relationship with ISA 560.¹⁵
Paragraph A9	<ul style="list-style-type: none"> The reference to “in a less complex entity” was removed given that the conditions discussed in the application material may also apply for more complex circumstances.
Paragraphs A10A–A10B, A16D	<ul style="list-style-type: none"> The scalability examples were streamlined, and new examples were added in response to Board comments. This included providing examples of method(s) management may use and examples to demonstrate how the auditor’s procedures may vary depending on the method, assumptions and data used by management to assess the entity’s ability to continue as a going concern.
Paragraph A16AA	<ul style="list-style-type: none"> New application material was added to emphasize that the method, assumptions, and data reflect the judgement’s made by management about the appropriateness of the use of the going concern basis of accounting.

37. The GC TF also considered suggestions raised by the Board about whether the proposed requirements in paragraphs 16D–16E of **Agenda Item 4-A** are necessary given the proposed change in the commencement date of the auditor’s evaluation of management’s assessment to at least twelve months from the date of approval of the financial statements as defined in ISA 560. The GC TF reaffirmed its view that these paragraphs remain relevant and necessary for proposed ISA 570 (Revised) as they extend the auditor’s awareness to consider information that becomes available through the date of issuance of the financial statements and therefore strengthens the auditor’s responsibilities in this regard.

Matter for the IAASB Consideration:

5. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for management’s assessment of going concern.

Professional Skepticism

38. The key changes made for professional skepticism are summarized in the table below:

¹⁵ ISA 560, *Subsequent Events*

Agenda Item 4-A Ref.	Change Made Since September 2022 and Explanation
Paragraphs 17, 17A and 18A	<ul style="list-style-type: none"> The lead in of paragraph 17A was subsumed in paragraph 17, given that bullets (a)-(b) are relevant to the auditor’s evaluation required by paragraph 17. Bullet (b) was aligned with paragraph 13(b) of Proposed ISA 500 (Revised), <i>Audit Evidence</i>. To improve the flow and sequence of the requirements, the second sentence of bullet (b) was separated into a new paragraph following paragraph 18.
Paragraph A10C	<ul style="list-style-type: none"> In response to Board comments, the examples were supplemented and enhanced to address broader instances when information used as audit evidence can be corroborative of contradictory.
Paragraphs A22A – A22AA	<ul style="list-style-type: none"> The lead-in was enhanced to recognize that some degree of management bias is inherent in the judgements and assumptions management makes about the future used in its assessment of going concern. The text was separated into two separate paragraphs to improve the flow of the application material and additional examples of indicators of management bias were added in response to Board comments.

Matter for the IAASB Consideration:

6. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for professional skepticism.

Timeline Over Which the Going Concern Assessment is Made

<i>Relevant Paragraphs in Agenda Item 4-A:</i>	<i>Paras. 13A–13C, 14A–14B, 15A and A11, A13B–A13F, A15A–A15C</i>
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Feedback Received in September 2022

39. In September 2022, some Board members continued to raise concerns about whether it is appropriate to propose a change in the twelve-month commencement date without a corresponding change in the requirements of the international financial reporting framework. In particular, concern was expressed for situations where management has not changed the twelve-month commencement date, from the balance sheet date to the date of the approval of the financial statements, and the entity has a history of profitable operations (or the date of approval of the financial statements is close to the balance sheet date). In such circumstances, and when management is unwilling to extend the period of its assessment, then the auditor would still be required to modify the audit report to meet the requirements of the standard. A similar sentiment was expressed by some CAG Representatives and

IFAC's Small and Medium Practices (SMP) Advisory Group.

GC TF Discussion and Recommendations

40. The GC TF discussed that the intent of the requirements in paragraphs 13A-13B and paragraphs 14A-14B of **Agenda Item 4-A**, when considered collectively, is to enable the auditor to obtain sufficient appropriate audit evidence and issue a 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.
41. However, the GC TF acknowledges that the requirement in paragraph 13A of **Agenda Item 4-A** for the auditor to evaluate whether the period used by management to make its assessment is reasonable contradicts the requirement in paragraph 13B of **Agenda Item 4-A**, as the auditor would always be required to request management to extend its assessment to at least twelve months from the date of approval of the financial statements.
42. To reinforce the connectivity and the logic for these paragraphs, the GC TF made certain changes to the requirements addressing the period of management's assessment and when management is unwilling to make or extend its assessment that are considered helpful to alleviate the concerns expressed in September 2022. The following changes are proposed in this regard:
 - (a) Moving the requirement and application material in paragraphs 13C and A13B–A13C of **Agenda Item 4-A** addressing the period beyond management assessment to paragraphs 15A and A15A–A15C of **Agenda Item 4-A**. This change aims to enhance the flow and improve the connectivity of the requirements addressing the period of management's assessment and when management is unwilling to make or extend its assessment.
 - (b) Separating the requirement in paragraph 14A(a)-(b) into two paragraphs (see paragraphs 14A and 14B of **Agenda Item 4-A**) and revising the requirement in paragraph 14B of **Agenda Item 4-A** to indicate that when management is still unwilling to make or extend its assessment in circumstances when the auditor believes it is necessary to do so, the auditor determines the implications for the audit, rather than the implications for the auditor's opinion in accordance with ISA 705 (Revised).¹⁶ The implications for the auditor's report are now addressed in the application material as a consequence of management not being able to support the appropriateness of the going concern basis of accounting, relating to its decision not to extend its period of assessment.
 - (c) Remove the requirement in paragraph 13A of **Agenda Item 4-A** for the auditor to evaluate whether the period used by management to make its assessment is reasonable based on the nature and circumstances of the entity. Instead, clarifying in the application material (see paragraphs A13E–A13EA of **Agenda Item 4-A**) that management, or those charged with governance (TCWG) may not formally provide an extension to their assessment period, but may still be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. By making this change the GC TF believes that appropriate leverage is provided for the auditor to consider whether management's decision not to extend the assessment period is reasonable based on the specific circumstances or nature of the entity. Also, examples are

¹⁶ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

added in paragraph A13EA of **Agenda Item 4-A** of circumstances when this may be the case.

Matter for the IAASB Consideration:

7. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for the timeline over which the going concern assessment is made.

Communication with TCWG

43. The following key changes were made for communication with TCWG:

Agenda Item 4-A Ref.	Change Made Since September 2022 and Explanation
Paragraph 25	<ul style="list-style-type: none"> Bullet (c) was aligned with the requirement in paragraph 16C that includes an evaluation of management’s plan for future action. The wording in bullet (d) was simplified by removing repetitive reference to the word “adequacy.” The phrase “when applicable” in bullet (f) was removed given that there would always be an implication for the auditor’s report when events or conditions are identified that may cast doubt.
Paragraph A36BB	<ul style="list-style-type: none"> New application material was added to include examples of matters the auditor may communicate with TCWG, by leveraging on Appendix 2 of ISA 540 (Revised).
Paragraph A36D	<ul style="list-style-type: none"> New application material was added to explain that for an audit of an entity other than a listed entity the auditor may communicate additional matters, such as describing how the auditor evaluated management’s assessment of going concern.

Matter for the IAASB Consideration:

8. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for communication to TCWG.

Considerations Specific to Public Sector Entities

<i>Relevant Paragraphs in Agenda Item 4-A:</i>	<i>Para. A25BB</i>
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Feedback Received in September 2022

44. In September 2022, CAG Representatives commented that the proposals for enhanced transparency in the auditor’s report may not always be relevant for intended users of public sector auditor’s reports. Comments were made that there may be circumstances when the going concern risk is heightened in the public sector, while in many other circumstances going concern matters may be straightforward. It was suggested that the public sector perspectives in the proposed standard should more

appropriately reflect the context in the public sector.

GC TF Discussion and Recommendations

45. The GC TF notes that listed entities, as defined by the IAASB standards, are not common in the public sector. Therefore, the requirement in paragraphs 21B and 22(d) of **Agenda Item 4-A** that apply only for audits of listed entities are unlikely to apply to entities that operate in the public sector.
46. The GC TF also notes that as part of the standard-setting actions in the project proposal, it was acknowledged that scalability matters will be considered, including public sector considerations, when applying with the CUSP Drafting Principles and Guidelines. The GC TF therefore believes it is appropriate to provide new application material in paragraph A25BB of **Agenda Item 4-A** to address that there may be additional disclosure requirements for public sector entities that can be relevant, such as for example disclosures related to long-term fiscal sustainability matters.

Matter for the IAASB Consideration:

9. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for considerations specific to public sector entities.

Transparency About Going Concern in the Auditor’s Report

*Relevant Paragraphs in **Agenda Item 4-A**:*

Paras. 21A–21B, 22–23, 23AA, 23A and A25C –A25D, A27A–A27H, A28, A31–A33, A33AA, A33A–A33B, Appendix (illustrations 1–6)

GC TF Discussion and Recommendations

Applicability of the Requirement in Paragraph 21B of proposed ISA 570 (Revised)

47. In September 2022, for the requirement in paragraph 21B of **Agenda Item 4-A**, one Board member asked the GC TF to consider whether:
 - (a) The Key Audit Matter (KAM) section of the auditor’s report would be a more appropriate mechanism to provide the required disclosure.
 - (b) The requirement should be extended to apply for audits of all entities. It was noted that this may be appropriate because there may be circumstances when in an audit of an entity other than a listed entity a “close call” is identified and to avoid creating an impression that the auditor’s work on going concern for such an entity is less than for a listed entity audit.
48. The GC TF is of the view that at this time, no further changes should be pursued for the applicability of the requirement in paragraph 21B of **Agenda Item 4-A**. The GC TF notes that in June 2022:
 - (a) The Board overall agreed to address the issues for enhanced transparency in the auditor’s report in a **proportionate manner**, by considering the relative impact that the proposals may have on different users. In this regard it was proposed that because the information needs of intended users of auditor’s reports of entities can differ (the distinction being between those intended users that have access to further information and insights about the auditor’s work beyond the financial statements and the auditor’s report, and those that do not), providing additional commentary in relation to going concern should only apply to audits of listed entities. However,

similar as communicating KAM, the auditor is not precluded from including additional commentary in the auditor’s report for audits of entities other than listed entities, including for “close calls.” In addition, the GC TF has not differentiated the required work effort of the auditor in the case of a listed versus an entity other than a listed entity, and therefore the performance requirements of the standard remain robust and equally applicable to audits of all types of entities.

- (b) The GC TF considered the need for improvements that would promote **global consistency and comparability** across auditor’s reports about the auditor’s responsibilities and work related to going concern and agreed on providing either a section on Going Concern (when no material uncertainty exists) or a Material Uncertainty Related to Going Concern (MURGC) section (when a material uncertainty exists) that would apply in all instances (i.e., for audits of all entities). The GC TF formed the view that alignment of the going concern commentary in the proposed sections appropriately reflects the public interest as it enables greater consistency across auditor’s reports and enhances auditor reporting comparability globally. The Board was in overall agreement with the GC TF that it is not in the public interest for users to have to navigate through the various sections of the auditor’s report in order to access relevant commentary about going concern matters. In addition, this was considered appropriate to alleviate the confusion cited by stakeholders about the inter-relationship between the MURGC, KAM sections and Emphasis of Matter (EOM) paragraphs in the auditor’s report.

Providing Original Information in the Auditor’s Report

- 49. In September 2022, a Board member expressed concern that the requirement in paragraph 21B of **Agenda Item 4-A** to describe how the events or conditions that may cast doubt were addressed in the audit may be extremely problematic for the auditor to “insist” on (and report in accordance with) when disclosures of events and conditions are not required by the applicable financial reporting framework. It was also noted that there may be confidentiality issues that could have legal ramifications for auditors. Members of IFAC’s SMP Advisory Group expressed similar concerns.
- 50. In response the GC TF:
 - (a) Revised the requirement in paragraph 21B and 22(d) of **Agenda Item 4-A** for the auditor to provide a description of how the auditor evaluated management’s assessment of going concern, instead of describing how the events or conditions that may cast doubt were addressed in the audit. In doing so, the requirement is now refocused on providing a description of matters in the context of the audit to alleviate the risk for the auditor providing original information about events or conditions that may cast doubt that are not otherwise required to be disclosed by certain financial reporting frameworks.
 - (b) Added new application material in paragraphs A27F–A27G of **Agenda Item 4-A** setting out guidance in relation to providing original information in the auditor’s report. In doing so, the GC TF leveraged on paragraphs A34–A37 of ISA 701.¹⁷

Modifications to the Auditor’s Report

- 51. The GC TF noted previously that, as a consequence of its proposals for enhanced transparency in the auditor’s report, it is necessary to further deliberate whether any other revisions may be necessary

¹⁷ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

for circumstances when the use of the going concern basis of accounting is appropriate and adequate disclosure of a material uncertainty is not made in the financial statements.

52. Extant paragraph 23 of ISA 570 (Revised) addresses circumstances when the basis of accounting is appropriate and when adequate disclosure about the material uncertainty is not made in the financial statements. In such circumstances, the auditor expresses a qualified or adverse opinion in accordance with ISA 705 (Revised) and states in the Basis for Qualified (Adverse) Opinion section of the auditor's report that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and that the financial statements do not adequately disclose the matter. Also, extant paragraph A33 of ISA 570 (Revised) draws attention that in situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may be required (in extremely rare circumstances) by paragraph 10 of ISA 705 (Revised) to express a disclaimer of opinion instead of including the statements required in the MURGC section.
53. In the course of the Auditor Reporting Project,¹⁸ the IAASB deliberated whether a separate section should be required in the auditor's report when the auditor expresses either an adverse or disclaimer of opinion due to the inadequacy of disclosures in the financial statements.¹⁹ The IAASB determined that because the matter is already described in the Basis for Adverse Opinion or Disclaimer of Opinion section of the auditor's report, describing the same matter in two places was unnecessarily duplicative, and would add to the length of the auditor's report without adding to its value.
54. The GC TF notes that such conclusions were determined by the IAASB in the context of the extant exception-based reporting model whereby a MURGC section is only limited to situations when it is determined that a MURGC exists. The GC TF is of the view that because of the need for consistency with its proposals for the auditor to provide a statement either in the Going Concern section or in the MURGC section of all auditor's reports to conclude that management's use of the going concern basis of accounting is appropriate, the requirement for when the auditor expresses a qualified or adverse opinion should also be aligned, see proposals in paragraph 23 of **Agenda Item 4-A**.
55. The GC TF also considered whether any revisions are necessary for when the auditor disclaims an opinion. Paragraph 29 of ISA 705 (Revised) prohibits the inclusion of a section on KAM in accordance with ISA 701 or Other Information in accordance with ISA 720 (Revised),²⁰ unless required by law or regulation. During the Auditor Reporting Project, the IAASB agreed that such prohibition is appropriate because any discussion of KAM unrelated to the disclaimer of opinion may suggest the financial statements are more credible in relation to those matters than would be appropriate in the circumstances and would overshadow the disclaimer of an opinion on the financial statements as a whole.
56. The GC TF is of the view that a similar approach should be taken in proposed ISA 570 (Revised), whereby when a disclaimer of opinion is provided, the auditor should not be required to provide further information about going concern or a material uncertainty in a separate section of the auditor's report (see paragraph 23AA of **Agenda Item 4-A**). However, as a consequence of the proposals to provide explicit statements in the auditor's report about the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists, the GC TF is of the view that

¹⁸ See <https://www.iaasb.org/projects/auditor-reporting>.

¹⁹ See the Basis for Conclusions: [Reporting On Audited Financial Statements – New and Revised Auditor Reporting Standards and Related Conforming Amendments](#)

²⁰ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

a statement should be provided in the Basis for Disclaimer of Opinion that the auditor is unable to conclude on these matters. A conforming and consequential amendment has been proposed to paragraph 19 of ISA 705 (Revised) to address this matter (see paragraph 65).

57. The GC TF also believes that a separate requirement should be included in proposed ISA 570 (Revised) to clarify the implications for the auditor’s report when the basis of accounting is inappropriate so as to address all reporting situations that may occur, see proposals in paragraph 23A of **Agenda Item 4-A**.

Update of the Illustrative Auditor’s Reports

58. The GC TF updated the illustrative auditor’s reports of extant ISA 570 (Revised), see the Appendix of **Agenda Item 4-A**, illustrations 1–6. This included developing new illustrations for circumstances that were not previously addressed in extant ISA 570 (Revised) and to demonstrate the implications for the auditor’s report for both listed entities and other than listed entities. In addition, various alignment changes were made to the application material that cross-reference to the illustrative auditor’s reports in the Appendix.
59. In August 2022, the GC TF sought views and inputs from the ARCG to inform its approach in developing the newly proposed illustration 2 in the Appendix of **Agenda Item 4-A** that address circumstances when the going concern basis of accounting is appropriate, events or conditions that may cast doubt have been identified and no material uncertainty exists. In developing the illustration, the GC TF:
- (a) Simplified the phrases used in the illustration so as to word the section as directly and plainly as possible. In addition, the GC TF deliberated whether it would be appropriate to retain the sub-title “*Events or Conditions That May Cast Significant Doubt on the Entity’s Ability to Continue as a Going Concern.*” It was determined this would be adequate given the illustration is provided in the context of the International Financial Reporting Standards (IFRSs).
 - (b) Considered the order of the statements and in doing so, considered the need for consistency with the presentation in the other illustrative reports in **Agenda Item 4-A**. Given the need for consistency across the illustrations presented in the proposed standard, the GC TF formed the view that it would be appropriate to keep the explicit statements together.
 - (c) Retained its view as presented to the Board in June 2022, to align the wording of the explicit statements with the wording of the description provided in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of the auditor’s report.

Other Matters

60. Following December 2022, the GC TF intends to engage and coordinate with the PIE Task Force to inform its approach as well as consider any necessary alignment changes that may be appropriate as a result of the proposals that may arise from the IAASB’s Listed Entity and Public Interest Entity (PIE) project with respect to the applicability of the differential requirements that currently apply to listed entities and the adoption of IESBA’s²¹ definitions of PIE and “publicly traded entity.”
61. The GC TF intends to further deliberate whether any consequential amendments are necessary for the *Auditor’s Responsibilities for the Audit of Financial Statements* section of the auditor’s report as

²¹ The International Ethics Standards Board for Accountants

required by paragraph 39(b)(iv) of ISA 700 (Revised). Whilst this section of the auditor’s report, as presently stated, does not give rise to inconsistencies with the revisions being proposed for ISA 570 (Revised), the GC TF will deliberate whether it is appropriate to also acknowledge that for a listed entity the auditor’s responsibilities also include to provide a description in the auditor’s report how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern.

Matter for the IAASB Consideration:

10. The Board is asked for its views on the GC TF proposed changes to the relevant paragraphs in **Agenda Item 4-A** for transparency about going concern in the auditor’s report, including for the illustrative auditor’s reports.

Section III – Proposed Conforming and Consequential Amendments

GC Task Force Initial Views and Recommendations

Approach and Scope of the Conforming and Consequential Amendments

62. In developing the proposed conforming and consequential amendments, set out in **Agenda Item 4-B**, the GC TF:
 - (a) Applied the CUSP Drafting Principles and Guidelines that address conforming and consequential amendments to the ISAs.²² In doing so, the GC TF limited the proposed amendments to the extent necessary in order to resolve actual or perceived inconsistencies and to maintain the coherence with the overall body of standards.
 - (b) Remained consistent with the targeted nature of the standard-setting actions envisaged by the project proposal to revise ISA 570 (Revised).
63. In identifying the scope of the paragraphs affected by the conforming and consequential amendments, the GC TF considered the entire body of IAASB’s authoritative pronouncements, except for:
 - (a) ISRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. ISRE 2410 is still in a pre-clarity format and this standard has not been updated for conforming amendments in relation to other recent projects of the IAASB.²³
 - (b) The *Framework for Audit Quality*.²⁴ Consistent with previous projects undertaken by the IAASB, it is usual practice not to update the *Framework for Audit Quality* given it was established at a point in time, and any revisions would possibly give rise to the need for a more wholesome revision to this framework. In addition, the GC TF notes that there are only limited instances where going concern matters are referred to in the *Framework for Audit Quality* which do not give rise to inconsistencies with the revisions being proposed for ISA 570 (Revised).²⁵

²² See Section 14 “Conforming and consequential amendments to ISAs” of the [CUSP Drafting Principles and Guidelines](#).

²³ A revision of ISRE 2410 is already being contemplated (see consultation on IAASB’s Strategy and Work Plan for 2024–2027).

²⁴ Supplement to the Handbook of the International Quality Control, Auditing, Review and Other Assurance and Related Services Pronouncements (Volume III), *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality*.

²⁵ See paragraphs 64 and 94 of the *Framework for Audit Quality*.

Conforming and Consequential Amendments to the ISAs

64. The conforming amendments were primarily of a straightforward nature (e.g., such as alignment with terminology used in the proposed standard or to appropriately reference to the revised title of proposed “ISA 570 (Revised 202X)”). Conforming amendments were also made to the illustrative auditor’s reports included in the appendices for ISA 510,²⁶ and ISAs of the 700 and 800 series, and in most cases such amendments included adding a section on “Going Concern” to the illustrations.

Clarifying the Relationship with ISAs of the 700 Series

65. More substantive consequential amendments were proposed to clarify the relationship between ISA 570 (Revised), ISA 700 (Revised), ISA 701, ISA 705 (Revised) and ISA 706 (Revised).²⁷ This was considered necessary so as not to cause confusion about which standard’s requirements are applicable when reporting matters related to going concern. This included:
- (a) Removing the phrase “where applicable” in paragraphs 29 and 50(f)-(g) of ISA 700 (Revised), given the auditor’s report would include a separate section reporting going concern matters, unless the auditor disclaims an opinion in accordance with ISA 705 (Revised) or when the going concern basis of accounting is inappropriate.
 - (b) Clarifying the relationship between ISA 701 and ISA 570 (Revised), in view of the proposals that when events or conditions are identified that may cast doubt the auditor of a listed entity would be required to report going concern matters in the “Going Concern” section of the auditor’s report instead of communicating KAM. As a result, amendments have been proposed to paragraphs 4(c) and A41 of ISA 701.
 - (c) Adding in paragraph 29 of ISA 705 (Revised) the prohibition to report a “Going Concern” section or a “Material Uncertainty Related to Going Concern” section in accordance with proposed ISA 570 (Revised) when the auditor disclaims an opinion. Amendments were also proposed to paragraph A26 of ISA 705 (Revised) to address this prohibition. In addition, adding in paragraph 19 and illustrations 4-5 of the Appendix to ISA 705 (Revised) a statement that the auditor is unable to conclude on the appropriateness of management’s use of the going concern basis of accounting and whether a material uncertainty exists.
 - (d) Clarifying the relationship with ISA 706 (Revised) given the revisions considered and proposed to ISA 570 (Revised) for enhanced consistency in reporting matters related to going concern, either in a “Going Concern” section or a “Material Uncertainty Related to Going Concern” section of the auditor’s report. Amendments were also proposed to clarify the placement of an EOM paragraph.

Consequential Amendments to ISA 230²⁸

66. The GC TF proposes an amendment to paragraph A10 of ISA 230 to include an example that the basis for the auditor’s conclusion on the reasonableness of areas of subjective judgments made by management may include management’s judgements in relation to the going concern basis of accounting. These judgments may also extend to the appropriateness of the period used by

²⁶ ISA 510, *Initial Audit Engagements—Opening Balances*

²⁷ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

²⁸ ISA 230, *Audit Documentation*

management in its assessment. In arriving at this proposal, the GC TF considered the CUSP Drafting Principles and Guidelines.²⁹

Other Consequential Amendments

67. The GC TF also propose the following consequential amendments:

- (a) Adding an example in paragraph A17 of ISA 450³⁰ that refers to a material misstatement in qualitative disclosures in relation to events or conditions that may cast doubt. This was considered appropriate, given the requirement in paragraph 20 of ISA 570 (Revised) for the auditor to evaluate whether the financial statements provide adequate disclosures about events or conditions that may cast doubt.
- (b) Adding a footnote-reference in paragraph A135 of ISA 540 (Revised) to emphasize that when the auditor identifies indicators of management's bias when making judgments about accounting estimates, this may also give rise to the need to further question the appropriateness of management's judgments when evaluating management's assessment of going concern. The GC TF notes this is aligned with suggestions provided by the Professional Skepticism Consultation Group (PSCG) to enhance the linkages among the ISAs when indicators of potential management bias are identified.

Conforming and Consequential Amendments to Other IAASB Standards and Authorative Pronouncements

68. The GC TF identified:

- (a) Limited alignment changes that may be necessary in relation to terminology used in the examples and other guidance provided in the application material of paragraph A57 of ISRS 4410³¹ and in paragraph 17 of IPAN 1000.³²
- (b) Paragraphs in ISRE 2400 (Revised)³³ that required further discussion, given a review of financial statements also includes consideration of the entity's ability to continue as a going concern. The GC TF proposals and rationale for recommendations to address amendments in ISRE 2400 (Revised) are discussed below.

ISRE 2400 (Revised)

69. The revisions to proposed ISA 570 (Revised) in relation to defining the term Material Uncertainty (Related to Going Concern) are not applicable for ISRE 2400 (Revised), given the definition would only apply to the ISAs. The proposed definition would however become part of the IAASB Glossary of Terms,³⁴ subject to public exposure and approval of the final pronouncement by the IAASB.
70. The GC TF considered the implications of the lack of a definition addressing Material Uncertainty

²⁹ See Section 13 "Addressing Specific Documentation Requirements in Individual Standards Other than ISA 230" of the [CUSP Drafting Principles and Guidelines](#).

³⁰ ISA 405, *Evaluation of the Misstatements Identified During the Audit*

³¹ International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*

³² International Auditing Practice Note (IAPN) 1000, *Special Considerations in Auditing Financial Instruments*

³³ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

³⁴ The Glossary of Terms is a non-authoritative document and is updated by IAASB Staff in connection with the finalization of the IAASB Handbook.

(Related to Going Concern) in ISRE 2400 (Revised) especially given that going concern matters are similarly applicable to the practitioner's work under ISRE 2400 (Revised). In this regard, the GC TF notes that the term "material uncertainty" is not addressed in the requirements of ISRE 2400 (Revised). It would therefore not be necessary for the definition of Material Uncertainty (Related to Going Concern) to be carried over to ISRE 2400 (Revised) to maintain the "coherence" with the overall body of standards.

71. The GC TF considered several alignment amendments to certain paragraphs of ISRE 2400 (Revised), e.g., for consistent use of terminology and for aligning the examples of events or conditions that may cast doubt in paragraph A99 of ISRE 2400 (Revised) to those in paragraph A3 of **Agenda Item 4-A**. In addition, the GC TF considered the requirements in paragraph 52 and 54(a) of ISRE 2400 (Revised) and whether any consequential amendments may be necessary given the proposals considered in the revision of ISA 570 (Revised) in relation to:
- (a) The proposed change in the commencement date of the auditor's evaluation of management's assessment (i.e., from the date of the financial statements to the date of approval of the financial statements).
 - (b) The proposed enhancements to the requirement to evaluate management's plan for future actions to also include an evaluation whether management has the intent to carry out specific courses of action and has the ability to do so.
72. The GC TF is of the view that further revisions for paragraph 52 and 54(a) of ISRE 2400 (Revised) should not be pursued because the proposed enhancements to ISA 570 (Revised) were developed in the context of stakeholder feedback relevant to the auditor's work and responsibility about going concern in an audit of financial statements.³⁵ Accordingly, it may not be appropriate to pursue alignment for the affected requirements of ISRE 2400 (Revised) without undertaking further information gathering that would be relevant to the scope of a limited assurance engagement. This approach can also be further explored with respondents at exposure.
73. In addition, the GC TF notes that pursuing revisions to ISRE 2400 (Revised) to resolve inconsistencies with proposed ISA 570 (Revised) would be out of the scope of conforming and consequential amendments, and beyond the targeted nature as outlined in the project proposal, given it may raise concerns about whether a more holistic revision of ISRE 2400 (Revised) is necessary. For example, the format and the elements of the practitioner's report under ISRE 2400 (Revised) are not aligned with the auditor's report (e.g., new elements introduced to the auditor's report are not reflected in the practitioner's report, such as enhanced sections that discuss the auditor's responsibilities and the responsibilities of management and TCWG in relation to going concern).³⁶ Consequently, given these broader matters, the GC TF does not believe substantial revisions can be pursued in scope of the conforming and consequential amendments as a result of the revision of ISA 570 (Revised).

³⁵ See 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](#).

³⁶ As part of the Auditor Reporting Project, completed by the IAASB in September 2014, the IAASB determined not to amend the auditor's reports for review and other assurance engagements.

Matter for the IAASB Consideration:

11. The Board is asked for its views on the proposed conforming and consequential amendments as presented in **Agenda Item 4-B**, including for the matters related to ISRE 2400 (Revised) discussed in paragraphs 69-73 of the Issues paper.

Section IV – Way Forward

74. In March 2023, the GC TF intends to present to the Board an exposure draft for proposed ISA 570 (Revised) for approval. Following the December 2022 IAASB meeting, and based on the Board's feedback, the GC TF intends to continue to discuss the issues included in this Agenda Item as well as to align and refine the drafting for the proposed standard and the conforming and consequential amendments as a result of the proposed revision to ISA 570 (Revised). Such matters will be subject to further deliberation by the IAASB at its March 2023 meeting.
75. The GC TF will continue to liaise with other IAASB task forces, working groups and consultation groups as needed, as well as other stakeholders in the financial reporting ecosystem as deemed necessary.

Going Concern Task Force Members and Update on Activities Since the September 2022 IAASB Meeting

GC Task Force Members

1. The GC TF consists of the following members:
 - Josephine Jackson, Chair
 - Edo Kienhuis
 - Wendy Stevens
 - Isabelle Tracq-Sengeissen
2. Information about the project can be found [here](#).

GC Task Force Activities

3. Since September 2022, the GC TF held 2 virtual meetings and 1 physical meeting over two days.

Outreach

4. Project specific outreach included the following:

September 2022

- The GC TF Chair and members, and IAASB Staff met with representatives from the American Institute of Certified Public Accountants (AICPA) and the AICPA's Auditing Standards Board. At the meeting, the AICPA provided an overview of the preliminary results from a stakeholder survey of US-based users and preparers, that among other aspects also gathered perspectives and insights relevant to enhancing transparency about going concern in the auditor's report.

October 2022

- The GC TF Chair and IAASB Staff met with the IAASB CAG Chair to further discuss suggestions provided by CAG Representatives that are relevant to enhancing the considerations specific to public sector entities in the draft of proposed ISA 570 (Revised).

November 2022

- It is anticipated that a meeting will be held with representatives of the IASB to discuss IAASB's project to revise ISA 570 (Revised).

5. In addition, the topic of going concern was specifically addressed in meetings with the following stakeholders during the fourth quarter as part of the general outreach program:

- IFAC's SMP Advisory Group.
- South African Outreach:
 - Leadership from certain Accounting Firms.
 - Investor Community Representatives.

- Independent Regulatory Board for Auditors.

Coordination with Other Task Forces and Consultation Groups

6. The GC TF has sought input and views from the TCG and the ARCG on its proposals for addressing actions related to technology and in view of updating the illustrative auditor’s reports in the Appendix of ISA 570 (Revised).
7. In October 2022, an update was provided to IAASB Staff of the Audits of Less Complex Entities (LCE) project that included requesting feedback for the approach applied to address scalability in the application material of proposed ISA 570 (Revised).