Project Proposal to Revise ISA 570 (Revised)

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Going Concern Working Group (GC WG) Chair

IAASB CAG Meeting
March 8–9, 2022
Agenda Item C.1
Information Gathering and Research Activities

- Roundtable Discussions and Other Stakeholder Outreach
- Academic Review and Consideration of Initiatives of Others
- Discussion Paper Responses
- Other Sources (Inputs from Auditor Reporting PIR and NSS)

Information Gathering and Research

Project Proposal – March 2022
May 2021 Board Meeting Discussion

• Obtained Board views on the:
  o Key public interest topics from respondents’ comments to the DP that should be considered as part of the proposed project scope
  o Proposed possible way forward for matters related to going concern identified through information-gathering activities

• The IAASB:
  o Was broadly supportive that the GC WG continue exploring each of the topics as outlined in the meeting papers
  o Provided specific comments and suggestions for the GC WG’s further consideration
Liaison with IASB to Date – Going Concern

**July 2021**
Staff of the IAASB and IASB discussed various themes from the responses to the DP related to going concern that are of mutual relevance.

**September 2021**
IAASB’s response to the IASB’s Request for Information, *Third Agenda Consultation*:  
- Going Concern  
- Emerging Risks and Events (Cryptocurrencies and related transactions & Climate-related risks)  
- Auditability and Verifiability Considerations

**February 2022**
IASB provided an overview of the stakeholder feedback received from its *Third Agenda Consultation* as it related to the IASB’s future work plan.
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. Establish a more robust evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism

C. Strengthen the communication and reporting requirements with respect to the auditor’s responsibilities and work related to going concern
Public Interest Framework: Stakeholders Impacted by the Project

Users of financial statements (“the users”)

The profession

Those in charge of adoption, implementation and enforcement of the standards

Preparers

Other users

The public interest requires the weighing and balancing of all stakeholder views
### Key Issues Identified Addressed by the Project

<table>
<thead>
<tr>
<th>Risk Identification and Assessment</th>
<th>Information from Sources External to the Entity</th>
<th>Audit Techniques – Use of Technology</th>
<th>Professional Skepticism</th>
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<tbody>
<tr>
<td>Timeline Over Which the Going Concern Assessment is Made</td>
<td>Terminology</td>
<td>Management’s Assessment of Going Concern</td>
<td>Transparency About the Auditor’s Responsibilities and Work Related to Going Concern</td>
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Scope of the Proposed Project on Going Concern

A. Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern

B. Establish a more robust evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism

- Enhancements to drive the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern
- Consider enhancements to the timeline over which the going concern assessment is made
- Enhancements for considerations related to information from sources external to the entity

C. Strengthen the communication and reporting requirements with respect to the auditor’s responsibilities and work related to going concern

- Strengthen required communication with TCWG throughout the audit
- Enhancements with respect to the auditor’s communications with external parties
- Increase transparency in the auditor’s report about the auditor’s responsibilities and work related to going concern
Impact of a Project on Going Concern

Improved audit quality through the consistent application of the requirements

Better meeting stakeholder expectations regarding enhanced communication and reporting with respect to going concern in an audit of financial statements, thereby enhancing confidence in audit engagements

Reduced inspection findings related to the auditor’s responsibilities and work with respect to going concern (recognizing that inspections findings are also affected by other contributing factors)
Representatives are asked for their:

- Views on the draft project proposal presented in Agenda Item C.2 setting out the project objectives, the key issues identified and the scope of the proposed project to revise ISA 570 (Revised)

- Specific input, if any, with respect to the proposed actions to address the key issues identified (see Section VI of Agenda Item C.2)