

Agenda Item D.2 For Reference

Please note: This is the IAASB Going Concern Issues Paper that will be discussed by the Board at the September 2022 IAASB quarterly meeting (Agenda Item 7). This paper is provided to the IAASB CAG Representatives in September 2022 for reference purposes.

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

Objective:

The objective of the IAASB discussion in September 2022 is to obtain the Board's input on the Going Concern Task Force's (GC TF) proposals addressing selected topics on going concern in an audit of financial statements as outlined in this Agenda Item.

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 drafting paragraphs presented in **Agenda Item 7-A**.

Introduction

1. At the June 2022 IAASB meeting, the GC TF presented to the Board its initial views and recommendations for two key issues identified in the [project proposal](#) for the revision of ISA 570 (Revised), *Going Concern*, and several related proposed actions, addressing the period covered by management's going concern assessment and transparency about the auditor's responsibilities and work related to going concern.
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 June 2022 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting - September 12-16, 2022* webpage.
3. This paper sets out the:
 - (a) **Part A:** GC TF initial views and recommendations for several key issues and the related proposed actions identified in the project proposal, in the following Sections:

Section	Description
I	<i>Terminology</i>
II	<i>Risk Identification and Assessment</i>
III	<i>Management's Assessment of Going Concern</i>
IV	<i>Professional Skepticism</i>

- (b) **Part B:** significant 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.

(c) **Part C:** way forward.

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

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

Appendix 1	GC TF members and update on activities since the June 2022 IAASB meeting
Agenda Item 7-A	Drafting paragraphs for proposed ISA 570 (Revised), <i>Going Concern</i>
Agenda Item 7-B	Mapping the GC TF key proposals to date to the standard-setting actions in the project proposal
Agenda Item 7-C (Supplemental)	Clean version of the drafting paragraphs for proposed ISA 570 (Revised), <i>Going Concern</i> (presented in Agenda Item 7-A (for reference))

Addressing the Standard-Setting Actions Included in the Project Proposal

5. In formulating its views and recommendations included in this Agenda Item, and for its proposals presented to the Board in June 2022, the GC TF remained focused on the targeted nature of the standard-setting actions envisaged by the project proposal to revise ISA 570 (Revised). **Agenda Item 7-B** provides a table that compares the GC TF proposals to date to address the standard-setting actions included in the project proposal.

Qualitative Standard-Setting Characteristics

6. In developing its proposals discussed in this Agenda Item the GC TF reflected on the qualitative characteristics set out in paragraph 36 of the project proposal and those included in the Public Interest Framework (PIF)¹ to be used as criteria to assess the proposed standard's responsiveness to the public interest. In doing so, the GC TF considered:

- *Clarity and conciseness*, to enhance understandability and minimize the likelihood of differing interpretations (see paragraph 21).
- *Scalability*, to addresses both less and more complex circumstances, commensurate to the nature and circumstances of the entity (see paragraphs 40 and 58).
- *Comprehensiveness*, through limiting the extent to which there are exceptions to the principles set out (see paragraph 40).
- *Coherence*, with the overall body of standards (see paragraphs 34, 44 and 93).
- *Implementability*, and ability of being *consistently applied* (see paragraph 45).
- *Relevance*, by responding to emerging issues and changes in business environments (see paragraph 65).

¹ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

Applying the CUSP Drafting Principles and Guidelines²

7. The GC TF applied the CUSP Drafting Principles and Guidelines while developing its initial views and recommendations discussed in this Agenda Item and for the drafting paragraphs of ISA 570 (Revised) presented in **Agenda Item 7-A**.

Ongoing Engagement with Others

8. It is anticipated that a meeting will be held in September 2022 with representatives of the Canadian Public Accountability Board (CPAB). This meeting will include an update on the IAASB's project to revise ISA 570 (Revised) and a discussion of the second thematic review on going concern issued by the CPAB in May 2022.³
9. The topic of going concern was also addressed in meetings with the following stakeholders during the third quarter as part of the general outreach program:
 - The International Accounting Standards Board (IASB).
 - Koninklijke Nederlandse Beroepsorganisatie van Accountants (NBA).

Coordination Activities

International Ethics Standards Board for Accountants (IESBA)

10. In July 2022, Staff of the IESBA reviewed and provided inputs for the drafting paragraphs relating to the newly proposed requirement and application material for reporting to an appropriate authority outside of the entity (see paragraph 110).

IAASB Consultation Groups

11. In August 2022, the GC TF sought views and inputs from the Professional Skepticism Consultation Group (PSCG) for the issues and drafting paragraphs related to professional skepticism discussed in **Part A, Section IV** of this Agenda Item.
12. In addition, views and inputs were sought from the Auditor Reporting Consultation Group (ARCG) as the GC TF further develops its proposals for updates to the illustrative auditor's reports in the appendix of proposed ISA 570 (Revised).

Part A: GC TF Initial Views and Recommendations for Selected Topics on Going Concern

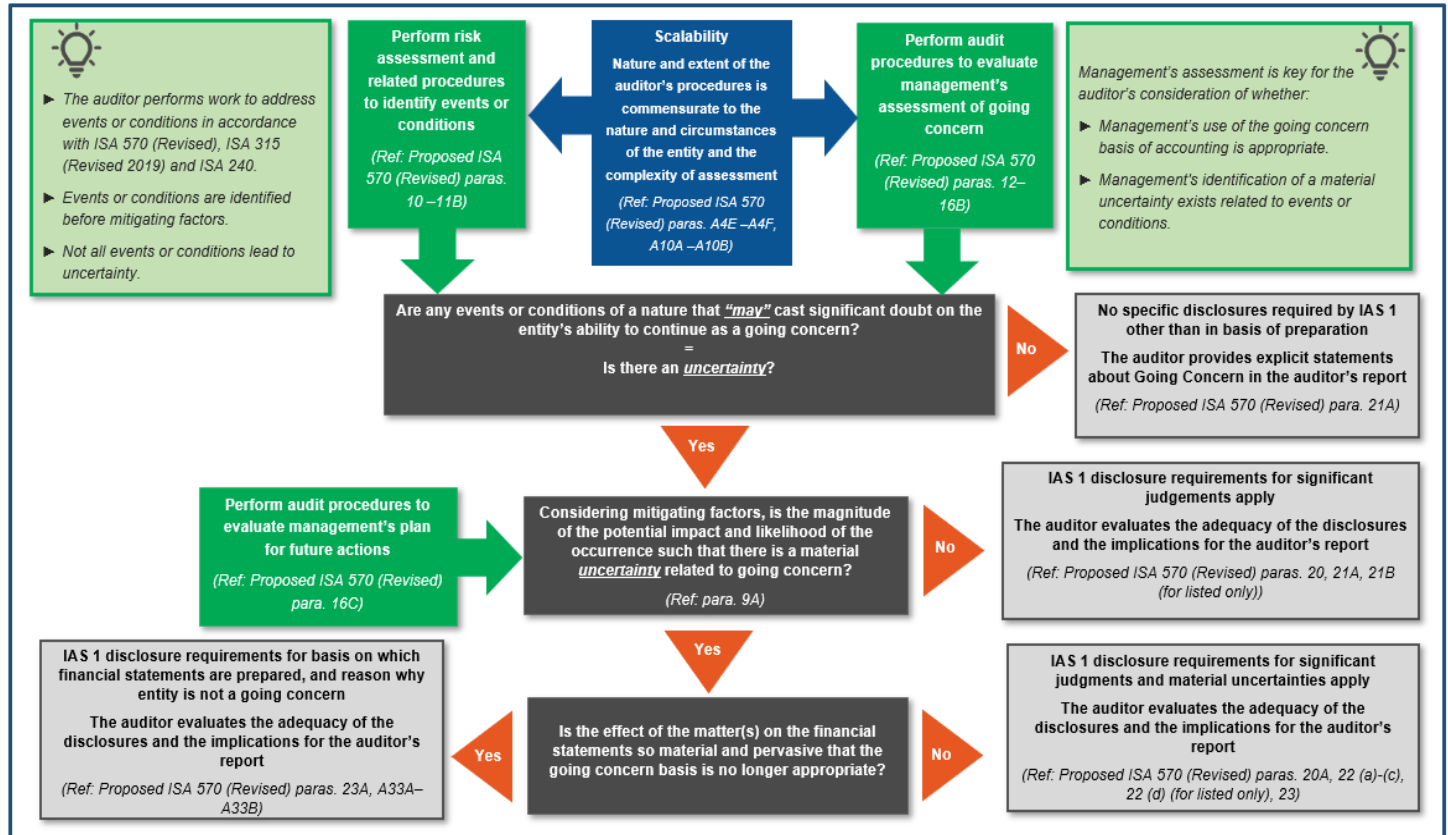
13. **Sections I-IV** below provide the GC TF initial views and recommendations for several key issues and the related proposed actions identified in the project proposal.
14. To facilitate the Board discussion in September 2022, the GC TF prepared the chart below that depicts a walkthrough of the decision making process in respect of whether a material uncertainty related to going concern exists (presented in dark gray boxes), recognizing the iterative nature of an audit. The paragraph references in the chart relate to the drafting paragraphs for proposed ISA 570 (Revised)

² See the [CUSP Drafting Principles and Guidelines](#) presented to the IAASB at its April 2022 meeting.

³ See [2021-going-concern-project-en.pdf \(cpab-crc.ca\)](#). The scope and the findings of the review were based on information about the auditor's response to going concern risk for 121 issuers of the CPAB 2021 inspections, 35 of which included cases where management and/or audit firms identified heightened going concern risk.

included in **Agenda Item 7-A**.

15. In developing the chart, the GC TF referred to management's responsibilities for assessment of the entity's ability to continue as a going concern required by IAS 1⁴ and in doing so leveraged on the [education material](#) issued by the IFRS Foundation in January 2021.



Section I – Terminology

Relevant Paragraphs in **Agenda Item 7-A**:

Paras. 6–7, 9A and A2A–A2C, A8, A21–A22

Going Concern Project Proposal – Key Issue

16. The project proposal included the following key issue (see paragraph 26 (d)):

Terminology

- (i) Certain terminology associated with going concern, such as “Material Uncertainty Related to Going Concern” and “significant doubt” is inconsistently understood and may therefore have varying interpretations. Certain stakeholders noted that some financial reporting frameworks may define these terms differently.

⁴ International Accounting Standard (IAS) 1, *Presentation of Financial Statements*

Going Concern Project Proposal – Proposed Actions

17. The project proposal included the following action (see paragraph 35, action AB.4):

Definitions and Application Material – "Material Uncertainty Related to Going Concern" and Other Terminology in ISA 570 (Revised)

Consider if it is necessary to describe or define "Material Uncertainty Related to Going Concern" and enhance application material to clarify key concepts such as "significant doubt," and other related terminology.

In doing so, consider:

- The importance of alignment between definitions and descriptions set out in financial reporting frameworks and the auditing standards.
- How National Standard Setters (NSS) have addressed this issue at jurisdictional levels.

GC Task Force Initial Views and Recommendations

Background

18. Extant ISA 570 (Revised) does not include a "Definitions" section. However, the standard does include:

- (a) Essential material in extant paragraph 18 of ISA 570 (Revised) that provides a description of the term "material uncertainty."
- (b) Extant paragraph 16 of ISA 570 (Revised) abbreviates "a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern" to "material uncertainty."
- (c) Introductory material in extant paragraph 2 of ISA 570 (Revised) provides an explanation of the going concern basis of accounting which is aligned with the requirements and guidance set out in the international financial reporting standards.⁵

19. The term "material uncertainty" is not defined in international financial reporting standards. The IASB had previously considered narrow focused amendments to IAS 1⁶ to clarify certain aspects of the standard in March 2013, however, such proposals were not ultimately pursued by the IASB. Those proposals included factors relevant to management's judgements when identifying whether the uncertainties about an entity's ability to continue as a going concern are material such as the:

- Nature of the uncertainty.
- Magnitude of the potential impact on the entity if the event or condition giving rise to the uncertainty occurs (consistent with ISA 570 (Revised)).
- Likelihood of that event or condition occurring (consistent with ISA 570 (Revised)).

⁵ Paragraph 25 of IAS 1, paragraph 38 of IPSAS 1 and paragraph 3.8 of the IFRS for SME require that an entity prepares financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. In addition, the IFRS for SMEs includes going concern as a defined term in its Glossary of Terms.

⁶ See [Agenda Item AP3A](#) discussed by the IASB in March 2013.

- Likely timing of the event or condition giving rise to the uncertainty.

Defining Material Uncertainty (Related to Going Concern)

20. The GC TF proposes that the essential material included in extant paragraph 18 of ISA 570 (Revised) is relocated and repurposed to a new Definition section of the standard to include a defined term “Material Uncertainty (related to going concern)” (see paragraph 9A of **Agenda Item 7-A**).
21. In forming its view, the GC TF considered:
- (a) The qualitative standard-setting characteristics to assess the standards responsiveness to the public interest and in particular the judgements relevant for “*clarity and conciseness*.” Providing a definition of a “material uncertainty” in the standard would support the public interest by improving consistency in practice given it would enhance the standard’s understandability and minimize the likelihood of varying interpretations that could occur.
 - (b) The CUSP Drafting Principles and Guidelines that relate to the definitions of the ISAs. The GC TF believe it is appropriate to define the term, rather than to describe or explain it, as the term is of fundamental relevance to understanding and applying the requirements of the standard and there is a pervasive use of the term throughout the standard.⁷
 - (c) The auditor’s objective stated in extant paragraph 9(b) of ISA 570 (Revised) that sets an obligation for the auditor to conclude, irrespective of management’s conclusion, whether a material uncertainty exists related to events or conditions.⁸
 - (d) That the term “material uncertainty” remains undefined by the international financial reporting standards. The guidance included in extant paragraph A22 of ISA 570 (Revised) explains that the auditor is required to conclude whether a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a “material uncertainty.” In addition, the proposed definition is consistent with the proposals set out by the IASB in March 2013.
22. The GC TF also considered whether the defined term should be “Material Uncertainty Related to Going Concern” (MURGC) given this would be consistent with the heading of the section in the auditor’s report as required to be used by extant paragraph 22 of ISA 570 (Revised). However, the GC TF propose to include the phrase “related to going concern” in brackets because:
- (a) “Material uncertainty” is consistent and aligns with the key concepts and terminology used in international financial reporting standards.
 - (b) The approach avoids unnecessary substantial changes in aligning terminology used throughout the proposed standard, including for the objective stated in extant paragraph 9(b) of ISA 570 (Revised), as well as any conforming and consequential amendments to other ISAs.
 - (c) The inclusion of a clarifying phrase in brackets is consistent with the approach undertaken for other definitions in the ISAs, in particular in ISA 500⁹ for defining the terms “Appropriateness (of audit evidence)” and “Sufficiency (of audit evidence).”

⁷ See Section 8.1.6 of “Definitions in the ISAs” in the [CUSP Drafting Principles and Guidelines](#).

⁸ 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” in an abbreviated manner.

⁹ ISA 500, *Audit Evidence*

23. The GC TF have retained the phrase “in the auditor’s professional judgment” in the definition. The GC TF believes it is appropriate to include the phrase given that the defined term aims to support the *auditor’s conclusion* required by extant paragraph 18 of ISA 570 (Revised) and because it would only be appropriate for the IAASB to define terms for the purpose of the auditor’s responsibilities and work related to going concern.
24. The GC TF proposes that extant paragraphs A21–A22 of ISA 570 (Revised) are relocated and repurposed to the application material for the definition (see paragraphs A2B–A2C of **Agenda Item 7-A**). This is considered necessary to:
- (a) Emphasize that there may be jurisdictional differences in how applicable financial reporting frameworks describe “material uncertainty”.
 - (b) Provide guidance relevant to the auditor’s professional judgement for when the uncertainties related to the events or conditions (i.e., the combination of their likelihood and magnitude) may be material (i.e., influence the economic decisions of intended users taken on the basis of the financial statements).

Management’s Assessment of the Entity’s Ability to Continue as a Going Concern

25. The GC TF acknowledge that respondents to the Discussion Paper (DP)¹⁰ emphasized that ISA 570 (Revised) is not clear that management’s assessment involves two components. This includes an assessment of the appropriateness of the going concern basis of accounting, and an assessment that includes the identification of whether a material uncertainty exists related to events or conditions. The GC TF is of the view that a clarification is necessary in this regard (see paragraph A8 of **Agenda Item 7-A**)
26. The clarification will also connect the relevance of the two components of management’s assessment of going concern with the auditor’s:
- (a) Objectives (see extant paragraphs 9(a)–(b) of ISA 570 (Revised));
 - (b) Considerations when performing risk assessment procedures and audit procedures to evaluate management’s assessment (see paragraphs 10A(e) and 12 of **Agenda Item 7-A**); and
 - (c) Conclusions (see extant paragraphs 17 and 18 of ISA 570 (Revised)).

Threshold for the Exception that the Entity is Not a Going Concern

27. The GC TF acknowledges that respondents to the DP requested further clarity on the threshold for when the going concern basis of accounting is no longer appropriate. The GC TF is of the view that any responsibility to describe or issue guidance in this regard rests with accounting standard setters and is therefore beyond the remit of the IAASB. The GC TF notes that the introductory section of the standard already adequately describes the going concern basis of accounting in the context of the requirements of the applicable financial reporting framework.

Spectrum of Material Uncertainty

28. The GC TF acknowledges that there were respondents to the DP, as well as Board members, who

¹⁰ 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*](#).

highlighted that it would be useful to provide guidance in proposed ISA 570 (Revised) to recognize that the spectrum of MURGC is wide. This would extend to explaining that the threshold at which an entity would no longer be considered to be a going concern is deliberately high, commensurate with the fact that this is an assumption underlying the basis of preparation of financial statements.

29. The GC TF considered the IFRS Foundation [education material](#) issued in January 2021. The GC TF is of the view that a clarification can be provided to acknowledge that the circumstances in which entities prepare financial statements on a going concern basis may vary as well as refer to examples from IAS 1¹¹ to this effect (see paragraph A2A of **Agenda Item 7-A**).

Other Structural and Alignment Changes

30. The phrase “material uncertainty about the entity’s ability to continue as a going concern” in extant paragraphs 6 and 7 of ISA 570 (Revised), has been aligned to “material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.” This was considered appropriate so as to align with the wording used in paragraph 39(b)(iv) of ISA 700 (Revised)¹² that describes the auditor’s responsibilities in relation to going concern as well as to align with the wording used in the objective stated in extant paragraph 9(b) of ISA 570 (Revised).

Matter for IAASB Consideration:

1. The Board is asked for its views on the GC TF initial proposals for terminology discussed in paragraphs 18-30 above and as reflected in the relevant drafting paragraphs included in **Agenda Item 7-A**.

Section II – Risk Identification and Assessment

*Relevant Paragraphs in **Agenda Item 7-A**:*

Paras. 10–10A, 11A–11B and A3–A4B, A4D–A7B

Going Concern Project Proposal – Key Issue

31. The project proposal included the following key issue (see paragraph 26 (a)):

Risk Identification and Assessment

- (i) ISA 570 (Revised) does not reflect the more robust risk identification and assessment process in ISA 315 (Revised 2019).¹³ A stronger link to ISA 315 (Revised 2019) would support timely identification of matters relating to management’s assessment of going concern about events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

Going Concern Project Proposal – Proposed Actions

32. The project proposal included the following action (see paragraph 35, action AB.1):

¹¹ See IAS 1, paragraph 26

¹² ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹³ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

Requirements and Application Material – Risk Identification and Assessment

Enhance requirements and application material through making targeted revisions to ISA 570 (Revised) to drive the auditor to obtain information that is relevant to timely identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

In doing so, more explicitly emphasizing the going concern aspects of the auditor's understanding of the entity and the entity's system of internal control (including how management undertakes the assessment of going concern) when identifying and assessing risks of material misstatement in accordance with ISA 315 (Revised 2019).

GC Task Force Initial Views and Recommendations

Approach to the Proposed Revisions

33. In developing its preliminary views, the GC TF considered enhancements made by the IAASB for risk assessment procedures and related activities in other more recently approved ISAs (e.g., in ISA 540 (Revised)¹⁴ and ISA 600 (Revised)¹⁵) as well as enhancements made in other jurisdictions to national going concern-related standards (e.g., the UK equivalent ISA 570 (Revised)¹⁶ standard). The GC TF also considered the proposals related to risk identification and assessment being deliberated by the IAASB in its project to revise ISA 240.¹⁷
34. In addressing the proposed actions for enhancing the requirements and application material of proposed ISA 570 (Revised) related to risk identification and assessment, the GC TF considered the criteria for “*coherence*” with the overall body of standards as embodied by the qualitative standard-setting characteristic. The GC TF believes it is appropriate to:
 - (a) Focus on adding incremental requirements and application material relevant for going concern matters that supplement the broader requirements of ISA 315 (Revised 2019). In doing so, the objective is to strengthen the standard while avoiding repeating material already in ISA 315 (Revised 2019), to the extent that there is no loss of understandability.
 - (b) Improve the relationship and integration between ISA 315 (Revised 2019) and ISA 570 (Revised). In doing so, incorporate the key concepts, as well as the structural elements from ISA 315 (Revised 2019) related to performing risk assessment procedures.

Risk Assessment Procedures and Related Activities

35. The GC TF discussed that the risk assessment procedures in extant paragraph 10 of ISA 570 (Revised) are focused on inquiry and discussion as a basis for determining whether management has identified events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.
36. The GC TF proposes that the requirement is enhanced (see paragraph 10 of **Agenda Item 7-A**) by refocusing and elevating the requirement from ‘inquiry and discussion’ as a basis for determining

¹⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs 13–15

¹⁵ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraphs 30–32

¹⁶ See [ISA UK 570, Going Concern](#)

¹⁷ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

whether management has identified events or conditions, to a more robust approach for the auditor to design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions relevant to the auditor's conclusion stated in objective 9(b) of ISA 570 (Revised).

37. The GC TF also proposes that (see paragraphs A4A and A4D of **Agenda Item 7-A**):

- (a) An explanation is provided in the application material to highlight the connection with the broader requirements of ISA 315 (Revised 2019). This is consistent with paragraph A11 of ISA 315 (Revised 2019) that already acknowledges that other ISAs provide further requirements regarding specific matters or circumstances addressed by the subject matter of those standards, and with the approach applied in paragraph A19 of ISA 540 (Revised).
- (b) Certain examples of audit procedures previously included in extant paragraph A16 of ISA 570 (Revised) are reallocated to the application material for the risk assessment procedures and related activities section of the standard, given they provide examples of procedures that may be relevant to identifying events or conditions. This also enhances the robustness and timeliness of the risk assessment procedures performed and aligns the nature of the procedures with those in paragraph 14 of ISA 315 (Revised 2019). Further, to facilitate integration with ISA 315 (Revised 2019) each of the examples of risk assessment procedures has been linked to aspects of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control for which the auditor is required to obtain an understanding.

Scalability

- 38. The GC TF reflected that more recently revised ISAs have taken an approach to address scalability in the application material that includes emphasizing that the auditor may calibrate the nature and extent of the response in the context of the nature and circumstances of the entity.
- 39. Consistent with the approach taken in both ISA 315 (Revised 2019) and ISA 540 (Revised), the GC TF proposes that such scalability considerations be introduced in the application material of proposed ISA 570 (Revised). In particular:
 - (a) Providing specific examples that emphasize how the nature and extent of the auditor's risk assessment procedures can be calibrated for both more and less complex circumstances (see paragraph A4E of **Agenda Item 7-A**).
 - (b) Repurposing the considerations specific for smaller entities in extant paragraphs A5–A6 of ISA 570 (Revised) to highlight aspects that may be relevant to the identification of events and conditions for smaller or less complex entities (see paragraph A4F of **Agenda Item 7-A**).
- 40. In forming its view the GC TF considered the qualitative standard-setting characteristics relevant to the standards public interest responsiveness and in particular the judgements necessary for “scalability” and “comprehensiveness.” The GC TF is of the view that it would be in the public interest to address scalability in the application material of proposed ISA 570 (Revised) given it would help limit exceptions from the principles of the standard and demonstrate how a requirement applies to all entities regardless of whether their nature and circumstances are less complex or more complex.
- 41. In developing its proposals, the GC TF applied the CUSP Drafting Principles and Guidelines that

relate to scalability and proportionality in the ISAs¹⁸ and considered the guidance in paragraph A65a of ISA 200¹⁹ addressing the scalability considerations of the ISAs.

Obtaining an Understanding of the Entity and Its Environment, the Applicable Financial Reporting Framework, and the Entity's System of Internal Control

42. The GC TF proposes a new requirement and related application material (see paragraphs 10A and A6A – A6G of **Agenda Item 7-A**) when performing risk assessment procedures focusing on specific going concern matters by expanding on the foundational requirements in ISA 315 (Revised 2019) when obtaining an understanding of the entity and the entity's system of internal control.

Revised Structure and Layout of Proposed ISA 570 (Revised)

43. The structure of the proposed requirement in paragraph 10A of **Agenda Item 7-A** is consistent with the approach taken in paragraph 13 of ISA 540 (Revised) and paragraph 30 of ISA 600 (Revised) with the aim to improve the linkages between the understanding being obtained in accordance with ISA 315 (Revised 2019) and the auditor's work in respect of going concern by:
- (a) The use of separate headings, i.e., for the entity and its environment, the applicable financial reporting framework and the entity's system of internal control.
 - (b) Following the same order as paragraphs 19-27 of ISA 315 (Revised 2019).
44. Given the desire to avoid repetition and remain “*coherent*” with the overall body of standards, the GC TF reflected on whether it is appropriate to include application material in proposed ISA 570 (Revised) that is also reflected in ISA 315 (Revised 2019), such as application material in respect of business risks (see paragraph A6A of **Agenda Item 7-A**).
45. On balance, the GC TF formed the view that it would be important to address the guidance in application material in proposed ISA 570 (Revised) rather than to cross-reference to ISA 315 (Revised 2019) or by providing a separate appendix to the standard. In forming its view, the GC TF considered the CUSP Drafting Principles and Guidelines that relate to the application material of the ISAs²⁰ and the judgements relevant to “*implementability*” and the ability to “*consistently apply*” the standards. In particular, the GC TF believes that:
- (a) The application material is appropriate given its relevance to specific going concern matters addressed by the requirements (i.e., the going concern ‘lens’) and because such guidance would support the public interest by facilitating the proper and consistent application of the requirements of the standard.
 - (b) This approach may be more helpful to firms who integrate the requirements and application material in their audit methodologies and may therefore also facilitate more effective implementation of the standard.

¹⁸ See Section 3 “Scalability and Proportionality in the Requirements” and Section 11 “Scalability and Proportionality in the Application and Other Explanatory Material” of the [CUSP Drafting Principles and Guidelines](#).

¹⁹ See the conforming and consequential amendments to ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, as a result of ISA 315 (Revised 2019).

²⁰ See Section 10 “Application and Other Explanatory Material of ISAs” of the [CUSP Drafting Principles and Guidelines](#).

Examples of Events or Conditions

46. The GC TF proposes enhancements to the examples of events or conditions set out in paragraph A3 of **Agenda Item 7-A**, as follows:
- (a) To draw attention that events or conditions are identified by the auditor before considering management's actions to mitigate their outcome.
 - (b) Align the description of the events or conditions in paragraph A3 of ISA 570 (Revised) with those set out in the appendices of ISA 315 (Revised 2019) and ISA 240, i.e., where the event or condition is the same but wording used in the description is different. The alignment aims to improve understandability and support the auditor in connecting the understanding of events or conditions in ISA 315 (Revised 2019) and ISA 240 with that in proposed ISA 570 (Revised).
 - (c) Add additional events or conditions suggested by respondents to modernize the examples such as changes in the environment (e.g., war, civil unrest or outbreaks of disease expected to adversely affect the entity) or a substantial decrease in share price.
47. Also, the GC TF proposes new application material to draw attention to circumstances when an identified event or condition may also present a fraud risk factor to be further considered and addressed in accordance with ISA 240 (see paragraph A3A of **Agenda Item 7-A**). This additional application material improves the linkage between the standards and supports the auditor's application of professional skepticism when applying ISA 570 (Revised).

Other Proposed Enhancements for Risk Identification and Assessment

48. The GC TF proposes two new requirements and application material (see paragraphs 11A–11B and A7A–A7B of **Agenda Item 7-A**), to address procedures relevant for going concern when applying ISA 315 (Revised 2019):
- (a) A requirement for the auditor to evaluate whether the audit evidence obtained from risk assessment procedures indicated the existence of events or conditions that management has not previously identified or disclosed to the auditor. The application material to the requirement draws attention that in such circumstances paragraph 8 of ISA 265²¹ may apply as well as that in circumstances when there is an intention to mislead paragraphs 26-28 of ISA 240 may apply.
 - (b) A requirement that leverages paragraph 27 of ISA 315 (Revised), for the auditor to determine whether one or more control deficiencies in respect of management's assessment of going concern have been identified.
49. The application material in paragraph A7 of **Agenda Item 7-A** has been aligned with revisions made in the course of the project to revise ISA 315 (Revised 2019) (see paragraph 37 of ISA 315 (Revised 2019)). Also, new application material is proposed in paragraph A6H of **Agenda Item 7-A** that leverages paragraph A48 and Appendix 1 of ISA 315 (Revised 2019).

Matters to be Further Considered

50. The GC TF intends to further consider and address how information from other sources can be used when identifying events or conditions, including:
- Sources external to the entity (e.g., media releases, or forward-looking information such as

²¹ ISA 265, *Communicating Deficiencies in Internal Control to Management and Those Charged With Governance*

economic or industry outlooks). This will be considered further as part of its actions to address the key issues for information from sources external to the entity (see paragraph 26(c)(i) of the project proposal).

- Information obtained from the auditor's procedures regarding other information in accordance with ISA 720 (Revised).²²
- Other engagements performed for the entity (e.g., an agreed-upon procedures engagement relating to an entity's debt covenant compliance).

Matter for IAASB Consideration:

2. The Board is asked for its views on the GC TF initial proposals for risk identification and assessment discussed in paragraphs 33-49 above and as reflected in the relevant drafting paragraphs included in **Agenda Item 7-A**.

Section III – Management's Assessment of Going Concern

Going Concern Project Proposal – Key Issue

51. The project proposal included the following key issue (see paragraph 26 (f)):

Management's Assessment of Going Concern

- (i) ISA 570 (Revised) does not reflect the more robust concepts in ISA 540 (Revised) when designing and performing audit procedures related to management's assessment of going concern. Embedding some of those concepts in ISA 570 (Revised) will assist the auditor by strengthening the audit procedures related to the evaluation of management's assessment of going concern, for example, in relation to the significant assumptions and data used in management's assessment of going concern.

Going Concern Project Proposal – Proposed Actions

52. The project proposal included the following action (see paragraph 35, action AB.6):

Requirements and Application Material – Management's Assessment of Going Concern

Enhance requirements and application material to strengthen the auditor's evaluation of management's assessment of going concern.

In doing so, applying the concepts introduced in ISA 540 (Revised), such as in relation to the auditor's evaluation of management's method, assumptions and data, and recognizing circumstances when specialized knowledge or skill is needed.

GC Task Force Initial Views and Recommendations

Evaluating Management's Assessment

Relevant Paragraphs in Agenda Item 7-A:

Paras. 12, 12B and A9, A10A–A10B

²² ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

53. The GC TF notes that extant ISA 570 (Revised) requires the auditor to:
- Evaluate management's assessment of going concern (see extant paragraph 12 of ISA 570 (Revised)).
 - Perform certain audit procedures only in circumstances when events or conditions *that may cast significant doubt on the entity's ability to continue as a going concern* have been identified (see extant paragraph 16 of ISA 570 (Revised)).
54. The GC TF deliberated that, as described in extant paragraphs 3 and 4 of ISA 570 (Revised), management's assessment is fundamental to support management's assertion (which may be explicit or implicit) that it is appropriate to prepare the financial statements using the going concern basis of accounting.
55. Management's assessment will be underpinned by assumptions and judgements related to events or conditions, including in relation to management's determination as to whether such events or conditions may cast significant doubt on the entity's ability to continue as a going concern, and whether a material uncertainty exists related to those events or conditions.
56. The GC TF also discussed that in their feedback, respondents to the DP emphasized the need to strengthen the standard to enable the auditor to perform more rigorous procedures to challenge management's judgements underpinned in its assessment, including to evaluate the method, assumptions and data used by management in making their assessment.
57. On the basis of its deliberations, the GC TF formed the view that:
- (a) The performance of audit procedures to evaluate management's assessment of going concern in extant paragraph 12 of ISA 570 (Revised) should be strengthened (see paragraph 12 of **Agenda Item 7-A**). This would enable the auditor to obtain sufficient appropriate audit evidence about the two components included in management's assessment that are relevant to the auditor's conclusions in extant paragraphs 17 and 18 of ISA 570 (Revised).
 - (b) The requirement in extant paragraph 16(a) of ISA 570 (Revised) should be moved earlier in the standard, to paragraph 12B of **Agenda Item 7-A**, for the auditor to request management to make its assessment of going concern, if such an assessment has not yet been performed.
58. The GC TF also propose that new and enhanced application material is provided to the requirements (see paragraphs A9, A10A–A10B of **Agenda Item 7-A**) to:
- (a) Acknowledge that a lack of a detailed analysis by management to support its assessment (in circumstances when it would be appropriate to prepare a detailed analysis) may be an indicator of a deficiency in internal control that needs to be considered in accordance with ISA 265.
 - (b) Provide examples addressing scalability. Similar to the GC TF proposals for the risk assessment procedures and related activities discussed in paragraphs 38-41, the scalability examples emphasize how the nature and extent of the auditor's procedures to evaluate management's assessment of going concern can be calibrated for both more and less complex circumstances. In doing so, certain considerations specific to smaller entities have been repurposed to highlight examples that may be relevant for less complex circumstances.

Method, Assumptions and Data Used in Management's Assessment

<i>Relevant Paragraphs in Agenda Item 7-A:</i>	<i>Paras. 16A and A16A–A16B</i>
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59. A new requirement is proposed to evaluate the method, assumptions and data used by management to make its assessment of going concern (see paragraph 16A of **Agenda Item 7-A**). In doing so, the GC TF leveraged paragraphs 23-25 of ISA 540 (Revised).
60. The GC TF also proposes new application material in support of the proposed requirements (see paragraphs A16A–A16B of **Agenda Item 7-A**) that provides guidance and examples of matters relevant to the auditor's considerations regarding the method and assumptions on which management's assessment is based. The application material draws attention to consideration of indicators of possible management bias that aims to support the auditor's application of professional skepticism when applying ISA 570 (Revised).

Evaluating Management's Plans for Future Actions

<i>Relevant Paragraphs in Agenda Item 7-A:</i>	<i>Paras. 16C and A17–A17B</i>
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61. Given the importance of management's plans for future actions in counterbalancing the significance of events or conditions, and in obtaining audit evidence relevant to the auditor's determination of whether a material uncertainty exists, the GC TF proposes to relocate the requirement in extant paragraph 16(b) of ISA 570 (Revised) under a separate heading in the proposed standard.
62. Further, the GC TF proposes that the requirement and related application material to evaluate management's plans for future action are strengthened. This includes (see paragraphs 16C and A17–A17B of **Agenda Item 7-A**):
 - (a) Adding a requirement that leverages paragraph 24(d) of ISA 540 (Revised), for the auditor to evaluate whether management has the intent and ability to carry out the specific courses of action.
 - (b) Adding new application material that leverages paragraph A105 of ISA 540 (Revised), to provide examples of auditor's procedures which may be relevant to the auditor's work effort included in the proposed requirement.
 - (c) Relocating in the application material certain examples of audit procedures previously included in extant paragraphs A16 and A18 of ISA 570 (Revised), given these provide examples of audit procedures that may be relevant to evaluating management's plan for future actions. The GC TF intends to further deliberate how to enhance these examples.

Written Representations

<i>Relevant Paragraphs in Agenda Item 7-A:</i>	<i>Paras. 24A and A35A</i>
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63. The GC TF is of the view that the requirement in extant paragraph 16(e) of ISA 570 (Revised) for written representations should be relocated to a new paragraph under a separate heading "Written Representations" (see paragraphs 24A and A35A of **Agenda Item 7-A**) to acknowledge:
 - (a) The CUSP Drafting Principles and Guidelines related to the presentation of specific

requirements in individual ISAs.²³

- (b) That paragraph 4 of ISA 580²⁴ explains that although written representations provide necessary audit evidence, they do not provide sufficient appropriate audit evidence on their own.

64. In addition, the requirement has been aligned with the proposed enhancements discussed in paragraph 62 above to include that the written representation should address whether management has the intent and ability to carry out the specific courses of action.

Subsequent Events or Facts

Relevant Paragraphs in Agenda Item 7-A :	Paras. 13C, 14–15, 16D–16E, 26 and A13B–A13D, A19B
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65. The GC TF believes it is in the public interest for the proposed standard to be strengthened so as the impact of events or conditions subsequent to the period of management’s assessment of going concern is robustly addressed. In forming its view, the GC TF considered the qualitative standard-setting characteristics relevant to its judgements for “*relevance*” and believes this would be an adequate response to address emerging public interest issues and recent changes in the broader business environment that have caused heightened risks and ongoing uncertainties.
66. In June 2022, the GC TF presented its initial views and proposals related to the timeline over which the going concern assessment is made. The key proposals included a change in the **commencement date** from the date of the financial statements to the date of approval of the financial statements, and a new requirement to evaluate **the reasonableness of the period** used by management to make its assessment.²⁵
67. The GC TF deliberated about the interaction between these proposals and any further revisions that may be necessary to extant paragraphs 14–15, 16(d) and 26 of ISA 570 (Revised) following feedback from the Board at the June 2022 meeting. In doing so, the GC TF challenged and explored aspects of the standard that should be enhanced.

Events or Conditions Between Date of the Financial Statements, the Date of Approval of the Financial Statements (Commencement of the Period of Management’s Assessment) and the Date of the Auditor’s Report

68. Paragraph 16B of **Agenda Item 7-A** (moved from extant paragraph 14 of ISA 570 (Revised)) states that the auditor considers whether management’s assessment of the entity’s ability to continue as a going concern includes all relevant information of which the auditor is aware as a result of the audit.
69. The GC TF believes that “*as a result of the audit*” in paragraph 16B of **Agenda Item 7-A**, refers broadly to the auditor’s procedures performed during the audit (in accordance with all the ISAs). This includes audit evidence obtained from the auditor’s procedures performed in accordance with paragraphs 6–9 of ISA 560, *Subsequent Events*.

²³ See Section 12 “Addressing Specific Requirements in Individual Standards Other than ISA 260 (Revised) and ISA 580” of the [CUSP Drafting Principles and Guidelines](#).

²⁴ ISA 580, *Written Representations*

²⁵ See paragraphs 9–27 of [Agenda Item 5](#).

70. While the auditor's procedures performed in accordance with paragraphs 6–9 of ISA 560 are in respect of "*Events Occurring Between the Date of the Financial Statements and the Date of the Auditor's Report*" the GC TF is of the view that this period also encompasses the date of approval of the financial statements. This is because the date of the auditor's report is typically on or after the date of approval of the financial statements. The GC TF therefore believes that audit evidence obtained relating to subsequent events that are relevant to management's assessment of the entity's ability to continue as a going concern, is encapsulated as part of the auditor's consideration in accordance with paragraph 16B of **Agenda Item 7-A**.²⁶

Period Beyond Management's Assessment

71. The GC TF discussed that the requirement in paragraph 13C of **Agenda Item 7-A** (moved from extant paragraph 15 of ISA 570 (Revised)) to make inquiries of management as to its knowledge of events or conditions beyond the period of management's assessment occurs after management has made its assessment and provides an appropriate basis for the auditor to consider whether further action is needed.
72. The GC TF believes that for purposes of clarity it is beneficial to separately relocate this requirement, as the outcome of this inquiry may result in the auditor requesting management to revise its period of assessment as the timeline may no longer be reasonable based on the nature and circumstances of the entity. New application material has been developed to provide guidance for such circumstances (see paragraph A13D of **Agenda Item 7-A**).

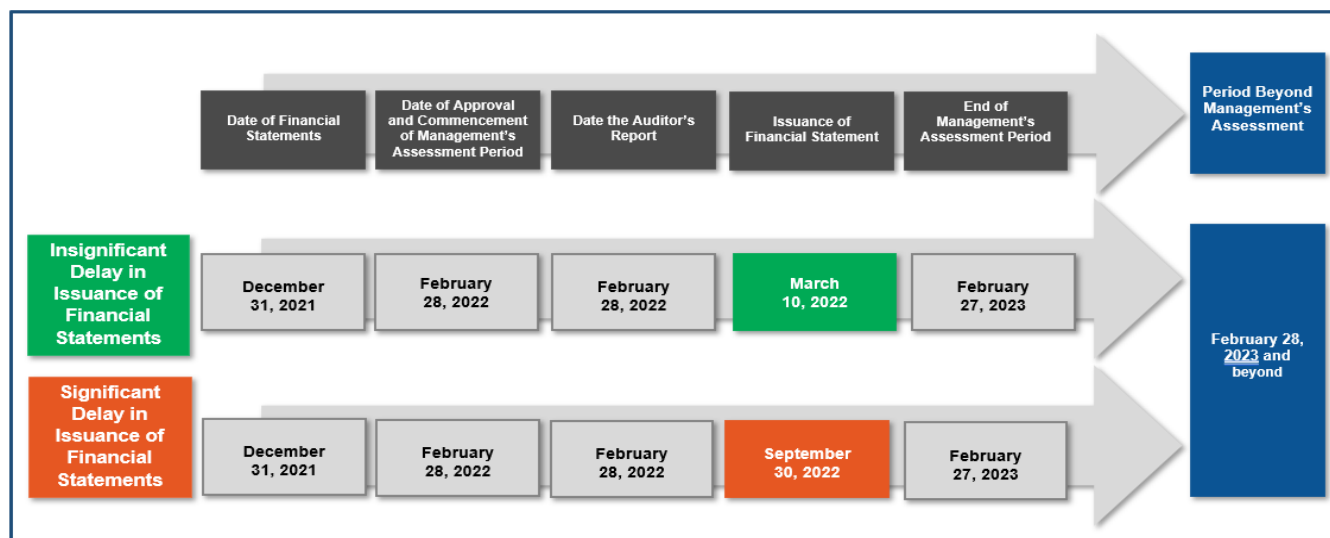
Facts or Information Become Available After Management Made Its Assessment

73. To improve the flow of the standard, the GC TF proposes that the extant audit procedures required by paragraph 16(d) of ISA 570 (Revised) relating to considering additional facts or information that has become available since the date on which management made its assessment is reallocated to paragraph 16D of **Agenda Item 7-A**, including determining whether or not such facts or information are related to management's assessment of the entity's ability to continue as a going concern.
74. A new requirement is proposed (see paragraph A16E of **Agenda Item 7-A**) when additional facts or information have been determined. In such circumstances, the auditor is required to perform the procedures to evaluate management's assessment of going concern and consider the effect on the auditor's conclusion regarding the existence of a material uncertainty.
75. In addition, the word "*facts*" has been retained, and is not subsumed by "*information*," as this links to the facts that may become known to the auditor after the date of the auditor's report as discussed in ISA 560.

Delays in the Issuance of Financial Statements and the Effect on Management's Assessment and the Period of Management's Assessment

76. The chart below provides an illustrative scenario depicting an insignificant and significant delay between the date of approval of the financial statements and the date the financial statements are issued.

²⁶ For example, paragraph 14 of IAS, 10 *Events After the Reporting Period* explains that management's assessment of the use of a going concern basis of preparation needs to reflect the effect of events occurring after the end of the reporting period up to the date that the financial statements are authorized for issue.



Insignificant Delay Between Date of Approval and Date of Issuance

77. Where there is an insignificant delay between the date of approval and the date of issuance of the financial statements, unless the auditor is aware of information to the contrary, the GC TF believes that it is more likely than not that:
- (a) The period used by management to make its assessment, as evaluated by the auditor, will continue to be reasonable (see paragraph 13A of **Agenda Item 7-A**).
 - (b) All relevant facts or information, if any, related to events or conditions would have been included in management's assessment of the entity's ability to continue as a going concern (see paragraph 16D of **Agenda Item 7-A**).
78. The GC TF does not believe that additional audit procedures are necessary to address the stub-period from date of approval of the financial statements through the date of issuance beyond those audit procedures cumulatively required by paragraphs 6–9 of ISA 560, and the work performed by the auditor in accordance with paragraphs 10–13 of ISA 560.²⁷

Significant Delay between Date of Approval and Date of Issuance, and Facts Become Known to the Auditor

79. Extant paragraph 26 of ISA 570 (Revised) states that the auditor should inquire as to the reasons for a significant delay in the approval of the financial statements by management or those charged with governance (TCWG) and if, based on the inquiries, the auditor believes the delay could be related to events or conditions relating to the going concern assessment, the auditor:
- (a) Performs the audit procedures required by extant paragraph 16 of ISA 570 (Revised), and
 - (b) Considers the effects on the auditor's conclusion regarding the existence of a material uncertainty as required by extant paragraph 18 of ISA 570 (Revised).
80. The GC TF considered the enhancements already proposed in paragraphs 13A-13B of **Agenda Item 7-A** to evaluate the reasonableness of the period used by management to make its assessment and the change in the commencement date of management's period of assessment to the date of approval

²⁷ The auditor's procedures are in respect of "Facts Which Become Known to the Auditor after the Date of the Auditor's Report but before the Date the Financial Statements Are Issued."

of the financial statements. Accordingly, the GC TF is of the view that paragraph 26 of ISA 570 (Revised) is no longer necessary and should be removed from the standard.

81. The GC TF deliberated that it would be more appropriate for the auditor to consider the reasons for significant delays between the date of approval of the financial statements and the date the financial statements are issued by management or TCWG, i.e., the date that the auditor's report and audited financial statements are made available to third parties.²⁸ The reason being that third parties, in receipt of audited financial statements where the issuance has been significantly delayed due to events or conditions, would by implication not be able to place as much reliance on management's assertion that it is appropriate to use the going concern basis of accounting in preparing the entity's financial statements. This rationale is based on the following:
- (a) Management's use of an assessment period that is twelve months from the date of approval of the financial statements, may no longer be appropriate given the significant delay between the approval date and the date the financial statements are issued (see paragraph 13B of **Agenda Item 7-A**).
 - (b) The auditor's evaluation of the reasonableness of the period used by management to make its assessment would be made prior to the date of approval of the financial statements and given the significance of the intervening time frame between the approval date and the date of issuance of the financial statements, this period may no longer be reasonable (see paragraph 13A of **Agenda Item 7-A**).
82. The GC TF proposes to include an example in the application material to address where there is a significant delay in the issuance of the financial statements that may be due to events or conditions relating to the going concern assessment (see paragraph A19B of **Agenda Item 7-A**), including that the auditor may, in such circumstances, request management to extend its assessment period beyond the twelve months from the date of approval of the financial statements. In addition, the application material draws attention that in such circumstances ISA 560 may apply.

Other Structural and Alignment Changes

83. Several headings have been added to, as well as aligned with, the revisions proposed. In addition, to improve the flow of the application material in the proposed standard, certain paragraphs have been "moved." For example, the consideration specific to smaller entities in extant paragraph A13 of ISA 570 (Revised) has been moved to a new paragraph following extant paragraph A19, given the guidance addresses relevant matters in evaluating management's plan for future actions when financial support is obtained from continued support by the owner-managers.

Matters to be Further Considered

84. As part of its actions to address the key issues for information from sources external to the entity (see paragraph 26(c)(ii) of the project proposal), the GC TF intends to further consider matters related to obtaining written evidence when management's plans for future action include financial support obtained from a third-party or from continued support by the owner-managers.

²⁸ ISA 560, paragraph 5(d)

Matter for IAASB Consideration:

3. The Board is asked for its views on the GC TF initial proposals for the auditor's evaluation of management's assessment of going concern discussed in paragraphs 53-83 above and as reflected in the relevant drafting paragraphs included in **Agenda Item 7-A**.

Section IV – Professional Skepticism

Relevant Paragraphs in Agenda Item 7-A:

Paras. 12A, 17A and A4C, A10C, A22A–A22C

Going Concern Project Proposal – Key Issue

85. The project proposal included the following key issue (see paragraph 26 (g)):

Professional Skepticism

- (i) The exercise of professional skepticism needs to be reinforced as it relates to the auditor's considerations about the appropriateness of management's use of the going concern basis of accounting, management's assessment of going concern, and maintaining professional skepticism when gathering audit evidence, questioning judgments made and assumptions used, and developing conclusions.

Going Concern Project Proposal – Proposed Actions

86. The project proposal included the following action (see paragraph 35, action AB.7):

Requirements and Application Material – Professional Skepticism

Emphasize the robust exercise of professional skepticism when performing procedures related to going concern, through:

- *Enhancing requirements and application material for the auditor to design and perform procedures that are not biased towards obtaining audit evidence that may be corroborative or towards excluding evidence that may be contradictory.*
- *Enhancing requirements and application material for the auditor to evaluate whether judgments made by management in making their assessment, even if they are individually reasonable, include indicators of possible management bias.*
- *Using action-oriented language in the revised standard.*

In doing so, take into account how the concept of professional skepticism has been incorporated in recently revised standards (e.g., ISA 315 (Revised 2019) and ISA 540 (Revised)).

GC Task Force Initial Views and Recommendations

Approach to the Proposed Revisions

87. In developing its preliminary views, the GC TF considered enhancements made by the IAASB in more

recently approved ISAs²⁹ to emphasize the exercise of professional skepticism in the conduct of the audit for the subject matters addressed by those standards. The GC TF also considered enhancements made in relation to professional skepticism in other jurisdictions to their national going concern-related standards (e.g., the UK equivalent ISA 570 (Revised) standard).

88. The GC TF believes that it is necessary to better incorporate the concept of professional skepticism in several parts of the proposed standard, including for:
- (a) Risk assessment procedures and related activities.
 - (b) Evaluating management's assessment of going concern.
 - (c) Evaluating whether sufficient appropriate audit evidence has been obtained.
89. This would further supplement the changes already proposed in the standard that support the auditor's application of professional skepticism when applying ISA 570 (Revised), such as:
- (a) The enhanced risk assessment procedures when identifying events or conditions and the consideration when they may present fraud risk factors to be further addressed in accordance with ISA 240 (see **Section II** above).
 - (b) In designing and performing audit procedures to evaluate management's assessment, challenging the method, assumptions and data used by management to make its assessment of going concern more robustly, including to evaluate the risk of management bias (see **Section III** above).
90. The GC TF noted that certain recently approved ISAs have taken an approach to emphasize the importance of maintaining professional skepticism in the introductory material of the standard and deliberated whether a similar approach should be considered in the revision of ISA 570 (Revised). In this regard, the GC TF reflected on feedback provided by the IAASB CAG for the importance of the auditor to exercise professional skepticism throughout the audit, rather than emphasizing professional skepticism separately in the introduction of each subject matter standard. In addition, the GC TF considered the CUSP Drafting Principles and Guidelines related to the introduction section and inclusion of introductory material in the ISAs,³⁰ as well as paragraph A63 of ISA 200 that also provides guidance on matters that may be included, as needed, in the introductory material of an ISA.
91. The GC TF discussed that the status of the introductory material is contextual in nature and used to provide emphasis when needed. The GC TF notes that each ISA already emphasizes that it should be read and applied in conjunction with ISA 200. The GC TF therefore believes that the proposed revisions should remain focused on developing new requirements and application material in proposed ISA 570 (Revised) as a more effective approach to address the key issues identified for professional skepticism.

Risk Assessment Procedures and Related Activities

92. The GC TF considered paragraph 13 of ISA 315 (Revised 2019) that requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit

²⁹ This included consideration of ISA 315 (Revised 2019), ISA 540 (Revised), ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* and ISA 600 (Revised).

³⁰ See Section 6 "Introduction Section of ISAs" of the [CUSP Drafting Principles and Guidelines](#).

evidence that may be corroborative or towards excluding audit evidence that may be contradictory.

93. Given that ISA 315 (Revised 2019) sets out the overarching requirements which also apply to risks of material misstatement related to going concern, the GC TF believe that it is not necessary to repeat this requirement in proposed ISA 570 (Revised). The GC TF proposes new application material (see paragraph A4C of **Agenda Item 7-A**) that draws attention to the foundational requirement in paragraph 13 of ISA 315 (Revised 2019). This approach also contributes to the “*coherence*” qualitative standard-setting characteristic.

Evaluating Management’s Assessment of Going Concern

94. The GC TF proposes a new requirement and supporting application material (see paragraphs 12A and A10C of **Agenda Item 7-A**), that leverages paragraphs 18 and A82 of ISA 540 (Revised), for the auditor to design and perform audit procedures in a manner that is not biased.
95. The GC TF notes that ISA 540 (Revised) is not a foundational standard that sets out overarching requirements that would apply to the audit procedures related to going concern. Accordingly, there is a public interest benefit to include a similar requirement in proposed ISA 570 (Revised) when performing audit procedures to evaluate management’s assessment of going concern.

Evaluating Whether Sufficient Appropriate Audit Evidence Has Been Obtained

96. The GC TF propose a new requirement and supporting application material following paragraph 17 of ISA 570 (Revised) (see paragraphs 17A, A22A –A22C of **Agenda Item 7-A**) for the auditor to:
- (a) Evaluate whether the judgments and decisions made by management in making its assessment of going concern, even if they are individually reasonable, are indicators of possible management bias. This aligns with paragraph 32 of ISA 540 (Revised). The related new application material leverages paragraphs A96, A133 – A136 of ISA 540 (Revised).
 - (b) Consider all relevant audit evidence obtained, whether corroborative or contradictory. This is consistent with paragraph 35 of ISA 315 (Revised 2019) and paragraph 34 of ISA 540 (Revised).

Other Matters

97. Given that ISA 500 sets the overarching requirements and guidance for the auditor when obtaining and evaluating audit evidence in accordance other standards, the GC TF will need to consider whether it is necessary to further align certain of its proposals related to professional skepticism discussed above when ISA 500 (Revised) is approved by the IAASB. These matters will be addressed through its coordination activities with the Audit Evidence Task Force.

Matter for IAASB Consideration:

4. The Board is asked for its views on the GC TF initial proposals for professional skepticism discussed in paragraphs 87-96 above and as reflected in the relevant drafting paragraphs included in **Agenda Item 7-A**.

Part B: Significant Changes to the Drafting Paragraphs for Proposed ISA 570 (Revised) Since June 2022

98. Part B provides an explanation of the significant changes considered and made by the GC TF in response to Board feedback for the drafting paragraphs of proposed ISA 570 (Revised) presented in **Agenda Item 7-A**.

Timeline Over Which the Going Concern Assessment is Made

<i>Relevant Paragraphs in Agenda Item 7-A:</i>	<i>Paras. 13, 13A–13B, 14A and A11, A13E–A13F</i>
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Previous IAASB Discussion in June 2022

99. In June 2022, the Board discussed a proposed new requirement for the auditor's consideration of whether the period chosen by management to make its assessment of going concern is reasonable based on the nature and circumstances of the entity. The Board directed the GC TF to consider the placement of the requirement earlier in the proposed standard and to strengthen the requirement for the auditor to obtain sufficient appropriate audit evidence to underpin the basis for the auditor's consideration.

GC TF Discussion and Recommendations

100. The GC TF discussed the order of the requirements in proposed ISA 570 (Revised) and agreed it would be more appropriate to place the requirement for the auditor to consider whether the period chosen by management to make its assessment is reasonable to precede the requirements for when management is unwilling to make or extend its assessment. In addition, the GC TF also agreed to replace the work effort verb "consider" with "evaluate" so as to more appropriately reflect the nature and extent of work that is expected to be performed by the auditor in relation to this matter (see paragraph 13A of **Agenda Item 7-A**).
101. In response to other specific comments made by the Board in June 2022, the GC TF also made the following changes:
- (a) Extant paragraph 13 of ISA 570 (Revised) was removed because it is not necessary, given that the period considered by the auditor to evaluate management's assessment is provided in the requirement of paragraph 13B of **Agenda Item 7-A**.
 - (b) Proposed paragraph 14A of **Agenda Item 7-A** was strengthened so as not to imply that the auditor is "auditing by inquiry" for circumstances when management is unwilling to make or extend its assessment of going concern.
102. The GC TF also:
- (a) Proposed changes to paragraph 13B of **Agenda Item 7-A** to enhance the understandability of the conditionality included in the requirement.
 - (b) Reviewed the flow of the sentences in the application material in paragraph A13F of **Agenda Item 7-A** and proposed certain enhancements.

Communication with Those Charged with Governance (TCWG)

Relevant Paragraphs in Agenda Item 7-A :	Paras. 25 and A36A–A36C
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Previous IAASB Discussion in June 2022

103. In June 2022, the Board asked the GC TF to address communication with TCWG about the adequacy of disclosures that describe management's significant judgements made.
104. In addition, the Board suggested that the GC TF consider whether the requirement to communicate with TCWG when management is unwilling to make or extend its assessment is necessary, given its overlap with the proposed requirement in paragraph 14A(a) of **Agenda Item 7-A**.

GC TF Discussion and Recommendations

105. In response, the GC TF enhanced the requirement in paragraph 25(d) of **Agenda Item 7-A** for communication with TCWG about the adequacy of the related disclosures in the financial statements, to also include communication about the disclosures that describe management's significant judgements made as part of its assessment.
106. The GC TF believes that it is important to retain both the requirement to discuss with management their unwillingness to make or extend its assessment of going concern as included in paragraph 14A(a) of **Agenda Item 7-A**, as well as the communication requirement with TCWG in paragraph 25(e) of **Agenda Item 7-A**, because management and TCWG may not always be the same.

Communication with Appropriate External Parties

Relevant Paragraphs in Agenda Item 7-A :	Paras. 25A and A37A–A37D
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Previous IAASB Discussion in June 2022

107. The Board directed the GC TF to clarify the application material for the proposed requirement for communication with appropriate external parties so as not to infer that the auditor has a responsibility to report when law, regulation or relevant ethical requirements do not require or establish such responsibility.
108. In addition, the Board asked the GC TF to consider providing further specificity in the references for the examples of the IESBA Code³¹ to comply with the principle of confidentiality.

GC TF Discussion and Recommendations

109. In response, the GC TF made the following changes to the drafting paragraphs in **Agenda Item 7-A**:
 - (a) Certain lead-in paragraphs in the application material were revised to more closely align with intent of paragraph A31 of ISA 250 (Revised).³²
 - (b) The examples provided were enhanced to provide reference to statutory requirements that

³¹ International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

³² ISA 250 (Revised), *Considerations of Laws and Regulations in an Audit of Financial Statements*

include early warning procedures to report going concern matters in the public interest to an appropriate authority outside of the entity.

- (c) To simplify the requirement and related application material, the reference to “qualified, adverse or disclaimer of opinion” was substituted with “modified opinion.”

110. Staff of the IAASB and IESBA coordinated further regarding the references to the IESBA Code in the application material in paragraph A37B of **Agenda Item 7-A**. As a result, changes were proposed in the application material to recognize that only confidentiality restrictions in law or regulation preclude the existence of a right to disclose a particular matter related to going concern to an external authority. In addition, further specificity and context was provided in the footnote to the references of the IESBA Code to explain that the IESBA Code:

- May permit the disclosure of confidential information when there is a legal or professional duty or right to disclose.
- Provides examples of circumstances where professional accountants are or might be required to disclose confidential information. For example, that the disclosure might be appropriate pursuant to a professional duty or right to disclose such information to comply with technical and professional standards.

Transparency About Going Concern in the Auditor’s Report

<i>Relevant Paragraphs in Agenda Item 7-A:</i>	<i>Paras. 21A–21B, 22 and A25A, A27A–A27E</i>
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Previous IAASB Discussion in June 2022

- 111. In June 2022, the Board asked the GC TF to consider clarifying the relationship between ISA 701³³ and its proposals for the auditor to describe how the events or conditions were addressed in the audit in proposed paragraph 21B of **Agenda Item 7-A**.
- 112. The Board also suggested that the GC TF consider how the application material in paragraphs A27D–A27E of **Agenda Item 7-A** can be enhanced to clarify what aspects of the auditor’s response or approach were most relevant to the events or conditions as well as to highlight more prominently the importance to avoid boilerplate and complexity in providing the explanation in the auditor’s report.
- 113. In addition, the Board supported that the GC TF to continue exploring the proposals and illustrative drafting for providing explicit statements in the auditor’s report about going concern in paragraph 21A of **Agenda Item 7-A**.

GC TF Discussion and Recommendations

- 114. The GC TF discussed that further conforming and consequential amendments will be necessary to other ISAs as a result of its proposals included in paragraph 21B of **Agenda Item 7-A**. For example, the second bullet in paragraph A41 of ISA 701 would need to be removed, given it may cause confusion in terms of which ISA the auditor is required to apply when events or conditions are identified but no material uncertainty exists. The GC TF intends to identify and present to the Board for discussion in December 2022, the conforming and consequential amendments to other relevant

³³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

ISAs as a result of the proposed revisions to ISA 570 (Revised).

115. The GC TF also deliberated whether the application material for the description of how the events or conditions were addressed in the audit should include more guidance. For example, to address aspects of the auditor's approach that are most relevant to the events or conditions or to provide guidance to avoid boilerplate in the descriptions provided. On balance, the GC TF believes that the application material should remain aligned and consistent with the guidance already provided in paragraphs A46–A47 of ISA 701 given that some jurisdictions are still implementing or have just recently implemented the standard. Therefore, bifurcating the approach to reporting on how the events or conditions were addressed from how the auditor addressed key audit matters, may not be desirable or necessary. Nevertheless, the GC TF agreed that it is useful to consider whether further guidance or examples can be provided outside of the standard in this respect, as well as to leverage guidance considered by the ARCG as part of its auditor reporting post-implementation review activities.
116. In response to other specific comments made by the Board in June 2022, the GC TF made changes to the requirements and related application material in paragraphs 21B(b), 22(d) and A27D–A27E of **Agenda Item 7-A**, to clarify that the auditor describes in the auditor's report how the events or conditions were addressed in the course of the audit.
117. The GC TF have proposed new application material in paragraph A25A of **Agenda Item 7-A** to clarify the auditor's consideration when the financial statements do not provide additional disclosures necessary to achieve fair presentation. This was considered appropriate given that paragraph 20 of ISA 570 (Revised) requires that the auditor should evaluate whether the financial statements provide adequate disclosures about events or conditions, however the standard does not provide further guidance for the implications for the auditor's report. The new application material refers to paragraphs 6 and A7 of ISA 705 (Revised).³⁴ The GC TF intends to further deliberate whether a consequential amendment to paragraph A17 of ISA 450³⁵ may also be necessary in this regard.
118. The illustrative auditor's reports included in the appendix of ISA 570 (Revised) do not address circumstances when the going concern basis of accounting is appropriate, events or conditions have been identified and no material uncertainty exists. Given the proposals included in paragraphs 21A–21B of **Agenda Item 7-A**, the GC TF is yet to update the illustrative auditor's reports for proposed ISA 570 (Revised) and has sought views from the ARCG to inform its approach in this regard.

Other Matters

119. The GC TF intends to further deliberate whether any other revisions may be necessary 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.

Matters for IAASB Consideration:

5. The Board is asked for its views on the GC TF revisions for the issues discussed in **Part B** above and as reflected in the drafting paragraphs included in **Agenda Item 7-A**.

³⁴ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

³⁵ ISA 405, *Evaluation of the Misstatements Identified During the Audit*

Part C: Way Forward

120. In December 2022, the GC TF intends to discuss with the Board its initial views and recommendations in relation to the remaining proposed actions of the project proposal: information from sources external to the entity and audit techniques – use of technology. In addition, in December 2022, the GC TF will also present to the Board the conforming and consequential amendments to other relevant ISAs as a result of the proposed revisions to ISA 570 (Revised) and a first full draft standard.
121. Following the September 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 as it progresses its work to develop the exposure draft for proposed ISA 570 (Revised). Such matters will be subject to further deliberation by the IAASB at its December 2022 meeting.
122. The GC TF will continue to liaise with other IAASB task forces, working groups and consultation groups as needed, as well as with the IASB, IESBA and other stakeholders in the financial reporting ecosystem as deemed necessary.

Appendix 1

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

GC TF 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 TF Activities

3. Since March 2022, the GC TF held 4 virtual meetings.
4. Through its ongoing liaison and engagement with stakeholders, the IAASB Chair, the GC TF Chair and IAASB Staff met (or will meet) with various representatives from the IASB, NBA and CPAB to provide updates on its going concern project and discuss matters of mutual relevance.

Coordination with Other Standard Setting Boards and Consultation Groups

5. Inputs have been received from IESBA Staff regarding the GC TF proposals for communications with appropriate external parties.
6. The GC TF has sought input and views from the PSCG and the ARCG on its proposals for professional skepticism and in view of updating the illustrative auditor's reports in the appendix of ISA 570 (Revised).