

Explanation of Other Changes Considered or Made Relating to Proposed ISA 570 (Revised 202X) and the Proposed Conforming and Consequential Amendments to Other ISAs

This Agenda Item explains the other changes that have been considered or made by the Going Concern Task Force (GC TF) since the December 2022 meeting, as reflected in the marked draft of proposed ISA 570 (Revised 202X), presented in **Agenda Item 2-B**, and in the proposed conforming and consequential amendments to other ISAs, set out in **Agenda Item 2-D**. This paper also refers to the key matters considered, and significant changes made by the GC TF that are discussed in more detail in the relevant sections of **Agenda Item 2** (Issues Paper).

Matters of an editorial nature are not addressed in this Agenda Item.

Reference	Changes Considered or Made and the Rationale for Those Changes
Introduction	
Paragraph 6	<p><i>Introductory Material</i></p> <ul style="list-style-type: none"> Comments were made that there is repetition in the text in paragraph 6 and the objectives stated in paragraph 9. The GC TF considered whether the text in these paragraphs could be streamlined but decided not to pursue a change given the introductory material in paragraph 6 appropriately aligns with the Auditor’s Responsibilities for the Audit of Financial Statements section of the auditor’s report as required by paragraph 39(b)(iv) of ISA 700 (Revised).¹ Also, no changes to the objectives were pursued as this action was not envisaged with the targeted scope of the standard-setting actions of the project proposal.
Paragraph 7	<p><i>Introductory Material</i></p> <ul style="list-style-type: none"> The words “any reference to” were removed from paragraph 7 to avoid confusion, as “material uncertainty” is now referenced in the auditor’s report in accordance with paragraph 35(a) i.e., that the auditor has not identified a material uncertainty related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

¹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

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Paragraph 8	<p><i>Effective Date</i></p> <ul style="list-style-type: none"> See Agenda Item 2, paragraphs 34-35 that explain the rationale for the change to the effective date convention.
Definition	
Paragraph 10	<p><i>Definition</i></p> <ul style="list-style-type: none"> See Agenda Item 2, paragraphs 7-8 that explain the change relating to the phrase “individually or collectively” in the definition of Material Uncertainty (Related to Going Concern). <p><i>Application Material</i></p> <p>Paragraph A5: See Agenda Item 2, paragraphs 9-11 that explain the changes to clarify the phrase “may cast significant doubt” and what this phrase is intended to mean for the purpose of this ISA.</p>
Requirements and Application Material	
Risk Assessment Procedures and Related Activities	
Paragraph 11	<p><i>Requirement</i></p> <ul style="list-style-type: none"> The Board supported the strengthened risk assessment procedures, however some comments were made related to paragraph 11 that the auditor is unable to identify all events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. The GC TF is of the view that the revisions proposed do not extend beyond the foundational requirements of ISA 200² and ISA 315 (Revised 2019)³ nor do they imply that the auditor should identify all possible events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. The strengthened requirements more explicitly require the auditor to perform robust risk assessment procedures to obtain audit evidence as a basis for the identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 5

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

Reference	Changes Considered or Made and the Rationale for Those Changes
	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A6: The text in the application material was clarified to convey that the events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern are to be considered collectively with other events or conditions. In addition, the lead-in paragraph preceding the examples of events or conditions was revised and aligned with the changes proposed for paragraph A5. Paragraph A6: In response to suggestions to reference climate-related risks in the list of non-exhaustive examples, the GC TF believes it is appropriate to retain the reference to “sustainability related matters” given this also includes broader matters (e.g., adverse effects from changes in law or regulation or government policy for broader matters in relation to pollution).
<p>Paragraph 12(d)</p>	<p><i>Requirement</i></p> <ul style="list-style-type: none"> The requirement in bullet (d) was scoped more widely to address comments that the auditor’s understanding of the applicable financial reporting framework also includes, for example, an understanding of the significant judgments made by management and whether a material uncertainty exists. <p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A17: The application material was clarified to emphasize that the auditor’s understanding includes the disclosure requirements in the applicable financial reporting framework about the significant judgments and assumptions management makes in concluding whether or not there is a material uncertainty.
<p>Paragraph 12(e)</p>	<p><i>Requirement</i></p> <ul style="list-style-type: none"> Questions were raised whether it is necessary to retain the requirement in bullet (e). The GC TF remained of the view that it is appropriate to retain the requirement given it provides an appropriate basis for a discussion with management and inquiries of their intended use of the going concern basis of accounting in the preparation of the financial statements.
<p>Paragraph 12(g)-(i)</p>	<p><i>Requirements</i></p> <ul style="list-style-type: none"> In response to questions whether there should be risk assessment procedures that focus on the assessment itself, the GC TF notes that this is already captured by the revisions proposed, given that:

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	<ul style="list-style-type: none"> ○ Bullet (g) focuses on the auditor’s understanding of the entity’s process to identify, assess, and address business risks relating to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern, and ○ Bullet (h) focuses on the auditor’s understanding of how management identifies the information that forms part of its going concern assessment. <p>The GC TF also noted that this approach is similar to the approach taken in ISA 540 (Revised).⁴</p> <ul style="list-style-type: none"> ● The GC TF clarified the requirement in bullet (i) to include obtaining an understanding of how the financial reporting process addresses disclosures related to going concern. This was considered appropriate in view of the foundational requirements of ISA 315 (Revised 2019) that addresses the auditor’s understanding of the entity’s information system.
Evaluating Management’s Assessment	
Paragraph 17	<p><i>Application Material</i></p> <ul style="list-style-type: none"> ● Paragraph A32: The subheading preceding the requirement was changed to “<i>Obtaining Audit Evidence in an Unbiased Manner</i>” and the word “relevant” was removed from the title so as to be consistent with proposed ISA 500 (Revised), <i>Audit Evidence</i>. Also, the words “internal or external” were replaced with “within and outside the entity” so as not to give rise to inconsistencies with terminology used in similar context in ISA 315 (Revised 2019) and ISA 540 (Revised).
Paragraphs 18-19	<p><i>Requirements</i></p> <ul style="list-style-type: none"> ● See Agenda Item 2, paragraphs 12-13 that explain the changes to the flow and structure of the requirements in the section (i.e., the requirements in paragraphs 18-19 and the related application material) for evaluating management’s assessment of going concern. <p><i>Application Material</i></p> <ul style="list-style-type: none"> ● Paragraph A35: The example of automated tools and techniques were removed in response to comments

⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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	<p>received in December 2022 that it was not relevant to the related requirement.</p> <ul style="list-style-type: none"> • Paragraph A38: The GC TF considered comments provided in December 2022 that: <ul style="list-style-type: none"> ○ The scalability example addressing <i>assumptions</i> should also refer to the entity’s intent and ability to execute future actions, given it discusses assumptions based on internally developed plans for future restructuring of the entity’s business units. However, the GC TF is of the view that the example as provided remains relevant in the scalability context because management’s plans for future actions may also include future projections and forward-looking assumptions which the auditor would need to consider. ○ Guidance should be provided relevant to the auditor’s procedures when management has not applied an appropriate method, assumptions, and data in its assessment of going concern. However, the GC TF did not pursue a change in this regard because this circumstance does not relate to scalability. In addition, the auditor’s evaluation of the audit evidence obtained from the audit procedures performed and concluding based on the audit evidence obtained, are addressed by the requirements in paragraphs 30-32.
Paragraph 21	<p><i>Requirement and Application Material</i></p> <ul style="list-style-type: none"> • See Agenda Item 2, paragraph 16 that explain the rationale for the restructuring of the requirement in paragraph 21 and the updating of the related application material in paragraph A42. In addition, the heading preceding the requirement was removed as a result of the restructuring the subheadings that is explained in paragraphs 12-13 of Agenda Item 2.
Paragraph 22	<p><i>Requirement</i></p> <ul style="list-style-type: none"> • The words “if appropriate” were replaced with “where appropriate” to align with the construct used in other requirements of the standard (e.g., in paragraph 40).
Paragraph 25	<p><i>Requirement</i></p> <ul style="list-style-type: none"> • See Agenda Item 2, paragraphs 14-15 that explain the changes to further clarify what is expected of the auditor in the circumstance addressed by paragraph 25.

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Evaluating Management’s Plan for Future Actions	
Paragraph 26	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraphs A48–A50: In response to comments provided in December 2022, the GC TF enhanced and supplemented the examples of auditor’s procedures that may be relevant when evaluating management’s plan for future action (e.g., to include corroborating inquiries with those charged with governance or inquiries of external finance providers).
Paragraph 27	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A51: The GC TF considered whether it is appropriate to acknowledge that a written confirmation from a third or related party, including the entity’s owner-manager, may also be relevant when obtaining sufficient appropriate audit evidence about the supporting party’s “ability” to provide financial support. However, the GC TF decided not to pursue a change in this regard because it would then also be necessary to explain that the auditor would still need to obtain further audit evidence to corroborate the statements being made by the supporting parties. Paragraph A52: The examples of auditor’s procedures to obtain sufficient appropriate audit evidence about the third or related party, including the entity’s owner-manager’s, ability to provide financial support were supplemented to include inquiries of others, such as external or internal legal counsel.
Information Becomes Available After Management Made Its Assessment	
Paragraph 28	<p><i>Requirement</i></p> <ul style="list-style-type: none"> The GC TF believes that the requirement for the auditor to consider whether any additional information has become available after the date on which management made its assessment does not give rise to conflicts or inconsistencies with the requirements of ISA 560.⁵ <p>In addition, as described in the IFRS Foundation education material, paragraph 14 of IAS 10, <i>Events After the Reporting Period</i> explains that management’s assessment of the use of a going concern basis of accounting</p>

⁵ ISA 560, *Subsequent Events*

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	needs to reflect the effect of events occurring after the end of the reporting period and up to the date that the financial statements are authorized for issue. This might require management to update assessments of the going concern basis of preparation and decisions about which disclosures are necessary.
Paragraph 29	<p><i>Requirement</i></p> <ul style="list-style-type: none"> • A clarification was made that includes removing the words “design” to enhance the connectivity between the requirements for when information becomes available after management made its assessment and the requirement for the auditor to design and perform additional audit procedures, if applicable, on management’s revised assessment in paragraph 25(c) (also see the proposed changes for paragraph 25 discussed in paragraphs 14-15 of Agenda Item 2). <p><i>Application Material</i></p> <ul style="list-style-type: none"> • Paragraph A54: Revisions were proposed to clarify the example and emphasize the importance of the discussion with management to understand the effects of the events or conditions that may cast significant doubt about the entity’s ability to continue as a going concern on management’s assessment.
Evaluating the Audit Evidence Obtained and Concluding	
Paragraph 30(a)	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • Paragraphs A56–A57: The GC TF considered whether the flow and connectivity of the guidance in the paragraphs could be enhanced but did not identify areas for improvement. In addition, the term “misinterpret” was replaced with “be overly optimistic” in the box with examples of indicators of possible management bias so as not to imply in the example that management’s intent is necessarily to mispresent or mislead.
Paragraph 32	<p><i>Requirement</i></p> <ul style="list-style-type: none"> • Suggestions were made to consider making the requirement in paragraph 32 be more specific to going concern matters. The GC TF propose no change. The context of the requirement is considered sufficiently clear and as stated it remains aligned with the approach taken for paragraph 34 of ISA 540 (Revised). • The work effort verb “evaluate” in the requirement was replaced with “determine.” This was necessary to align with instances when “determine” is used in ISA 570 (Revised 202X) in similar context (e.g., see paragraph 23),

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	as well as to appropriately apply the guidance of CUSP Drafting Principles and Guidelines. ⁶
Adequacy of Disclosures	
Paragraphs 33–34	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A60: See Agenda Item 2, paragraphs 19-21 that explain the rationale for adding application material to clarify the auditor’s expectation for when management would provide disclosures in the financial statements (e.g., for a “close call” situation). Paragraph A65: In response to Board comments, the reference to “disclosures of whether future budgetary resources will likely be sufficient to sustain public services” was removed from the examples of considerations specific to public sector entities.
Implications for the Auditor’s Report	
Paragraph 35(a)	<p><i>Requirement</i></p> <ul style="list-style-type: none"> No change has been proposed in response to comments that the use of the word “conclude” in the statement required by bullet (a)(i) may imply a piecemeal opinion. The word “conclude” aligns with the auditor’s obligations stated in the objectives of the proposed standard and with the Auditor’s Responsibilities for the Audit of Financial Statements section of the auditor’s report.
Paragraph 35(b)	<p><i>Requirement</i></p> <ul style="list-style-type: none"> See Agenda Item 2, paragraphs 17-18 that explain the issues addressed by the proposed changes to the requirements for the auditor’s report when the going concern basis of accounting is appropriate and no material uncertainty exists. <p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraphs A69–A71 and A76: The application material was aligned with the changes proposed to the requirement discussed above.

⁶ See Appendix 2 “Work Effort Verbs” of the [CUSP Drafting Principles and Guidelines](#).

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Paragraphs 35(b)(i)-36(b)	<p><i>Requirements</i></p> <ul style="list-style-type: none"> The requirements were aligned with the wording in paragraph 13 of ISA 701⁷ to include a reference to the related disclosure(s). In addition, instead of cross-referencing to the requirements in paragraphs 33–34 that address the adequacy of the disclosures, more specific references were provided to the application material where the disclosures themselves are explained.
Paragraph 38	<p><i>Requirement and Application Material</i></p> <ul style="list-style-type: none"> See Agenda Item 2, paragraphs 22-24 that explain the reasons for retaining the requirement and updating of the related application material by adding paragraph A81. In addition, drafting changes were made to clarify that the terms “shall” and “shall not” are specific to the actions included in bullets (a)–(b) of the requirement.
Communication with Those Charged with Governance (TCWG)	
Paragraph 41	<p><i>Requirement</i></p> <ul style="list-style-type: none"> No change was made in response to suggestions to consider adding a new requirement to communicate with TCWG identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern that management has not previously identified or disclosed to the auditor. The GC TF considered that adding a new requirement is not necessary, given that when events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern are identified, the required communication in the lead in to paragraph 41 would already address this circumstance. <p><i>Application Material</i></p> <ul style="list-style-type: none"> The application material following paragraph A86 was removed because the guidance was repetitive with that included in paragraphs A26 and A28. Instead, a bullet point was added with a cross-reference in the box including examples of matters that the auditor may communicate with TCWG to also include significant deficiencies in internal control related to management’s assessment of going concern. Paragraph A86: It was clarified that the auditor’s communication of indicators of management bias is in relation

⁷ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

Reference	Changes Considered or Made and the Rationale for Those Changes
	to management’s judgments and assumptions used to assess the entity’s ability to continue as a going concern.
Reporting to an Appropriate Authority Outside of the Entity	
Paragraph 42	<p><i>Requirement</i></p> <ul style="list-style-type: none"> • Suggestions were provided to consider adding the word “may” in the requirement. The GC TF proposed no change in this regard, given the wording of the requirement remains aligned with that used in other ISAs (e.g., ISA 250 (Revised)⁸), and because there is sufficient clarity that the reporting would only be required when law, regulation or relevant ethical requirements require the auditor to report to an appropriate authority outside the entity or when they establish responsibilities in this regard.
Appendix	
Illustrations 1–6	<p><i>Illustrations 1–2</i></p> <ul style="list-style-type: none"> • See Agenda Item 2, paragraphs 17-18 that explain the issues addressed by the proposed changes to the requirements for the auditor’s report when the going concern basis of accounting is appropriate and no material uncertainty exists. The illustrations were aligned with the changes proposed to the requirement. <p><i>Illustrations 1, 3 and 6</i></p> <ul style="list-style-type: none"> • The GC TF considered suggestions whether the addressee of the illustrations that depict circumstances for an entity other than a listed entity should be revised to align with illustration 4 of ISA 700 (Revised) (i.e., to refer to “Appropriate Addressee” instead of “To the Shareholders of ABC Company”), however the GC TF decided not to pursue a change given the addressee is consistent with the approach taken in the illustrations of other ISAs for the same circumstance and because a company may still have shareholders although not being listed. <p><i>Illustrations 1–6</i></p> <ul style="list-style-type: none"> • The title of the illustrative auditor’s reports was updated to reflect when the circumstances assume an auditor’s report for a listed entity or for an entity other than a listed entity.

⁸ ISA 250 (Revised), *Considerations of Laws and Regulations in an Audit of Financial Statements*

Reference	Changes Considered or Made and the Rationale for Those Changes
Conforming and Consequential Amendments to Other ISAs (see Agenda Item 2-D)	
Illustrative auditor's reports in other ISAs	<ul style="list-style-type: none"> See Agenda Item 2, paragraphs 17-18 that explain the issues addressed by the proposed changes to the requirements for the auditor's report when the going concern basis of accounting is appropriate and no material uncertainty exists. The illustrative auditor's reports in other ISAs that depict this circumstance were aligned with changes proposed to the requirement.
ISA 700 (Revised), paragraph 39(b)(iv)	<ul style="list-style-type: none"> See Agenda Item 2, paragraphs 25-26 that explain the GC TF rationale for not pursuing further changes for the Auditor's Responsibilities for the Audit of Financial Statements section of the auditor's report as part of the conforming and consequential amendments.
ISA 700 (Revised), paragraph 50(g)	<ul style="list-style-type: none"> The phrase "where applicable" was reinstated in the requirement given that a Basis for Qualified (Adverse) Opinion would not always apply in an auditor's report prescribed by law or regulation.
Other IAASB Standards	<ul style="list-style-type: none"> See Agenda Item 2, paragraphs 27-28 that explain the GC TF rationale for removing the affected paragraphs in the application material of ISRE 2400 (Revised)⁹ and ISRS 4410 (Revised).¹⁰

⁹ International Standard on Review Engagements (ISRE) 2400 (Revised), *Engagements to Review Historical Financial Statements*

¹⁰ International Standard on Related Services (ISRS) 4410 (Revised), *Compilation Engagements*