

Project Proposal to Revise ISA 570 (Revised)

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Going Concern Working Group (GC WG) Chair

IAASB CAG Meeting
March 8–9, 2022
Agenda Item C.1

Information Gathering and Research Activities

Roundtable
Discussions and
Other Stakeholder
Outreach

Academic Review
and Consideration
of Initiatives of
Others

Discussion Paper
Responses

Other Sources
(Inputs from
Auditor Reporting
PIR and NSS)

Information Gathering and Research

Project Proposal – March 2022

May 2021 Board Meeting Discussion

- Obtained Board views on the:
 - Key public interest topics from respondents' comments to the DP that should be considered as part of the proposed project scope
 - Proposed possible way forward for matters related to going concern identified through information-gathering activities
- The IAASB:
 - Was broadly supportive that the GC WG continue exploring each of the topics as outlined in the meeting papers
 - Provided specific comments and suggestions for the GC WG's further consideration

Liaison with IASB to Date – Going Concern

July 2021

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

September 2021

IAASB's response to the IASB's Request for Information, *Third Agenda Consultation*:

- Going Concern
- Emerging Risks and Events (Cryptocurrencies and related transactions & Climate-related risks)
- Auditability and Verifiability Considerations

February 2022

IASB provided an overview of the stakeholder feedback received from its *Third Agenda Consultation* as it related to the IASB's future work plan

Project Objectives that Support the Public Interest

- A. Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern
- B. Establish a more robust evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism
- C. Strengthen the communication and reporting requirements with respect to the auditor's responsibilities and work related to going concern

Public Interest Framework: Stakeholders Impacted by the Project



Users of financial
statements (“the
users”)



The profession



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



Preparers



Other users

The public interest requires the weighing and balancing of all stakeholder views

Key Issues Identified Addressed by the Project

Risk Identification
and Assessment

Information from
Sources External
to the Entity

Audit Techniques
– Use of
Technology

Professional
Skepticism

Timeline Over
Which the Going
Concern
Assessment is
Made

Terminology

Management's
Assessment of
Going Concern

Transparency
About the
Auditor's
Responsibilities
and Work Related
to Going Concern

Scope of the Proposed Project on Going Concern

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

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

- | | |
|--|---|
| <ul style="list-style-type: none">• Enhancements to drive the auditor to obtain information that is relevant to timely identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern• Consider enhancements to the timeline over which the going concern assessment is made• Enhancements for considerations related to information from sources external to the entity | <ul style="list-style-type: none">• Consider necessity to clarify for key concepts (e.g., MURGC)• Enhancements to reflect the auditor's use of technology to perform going concern-related audit procedures• Enhancements to require a more robust evaluation of management's assessment of going concern• Reinforce a more robust exercise of professional skepticism |
|--|---|

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

- Strengthen required communication with TCWG throughout the audit
- Enhancements with respect to the auditor's communications with external parties
- Increase transparency in the auditor's report about the auditor's responsibilities and work related to going concern



Impact of a Project on Going Concern

Improved audit quality through the consistent application of the requirements

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

Reduced inspection findings related to the auditor's responsibilities and work with respect to going concern (recognizing that inspections findings are also affected by other contributing factors)

Matters for IAASB CAG Consideration



Representatives are asked for their:

- Views on the draft project proposal presented in **Agenda Item C.2** setting out the project objectives, the key issues identified and the scope of the proposed project to revise ISA 570 (Revised)
- Specific input, if any, with respect to the proposed actions to address the key issues identified (see **Section VI of Agenda Item C.2**)



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