

Agenda Item 2-A

Explanation of Changes Made to Proposed ISA 570 (Revised 202X), *Going Concern*

This Agenda Item explains the changes made by the Going Concern Task Force (GC TF) since the September 2024 IAASB meeting, as reflected in the marked draft of proposed ISA 570 (Revised 2024), presented in **Agenda Item 2-B.1**. 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	Explanation of Changes
<i>Introduction</i>	
Paragraph 3	<i>Introductory Material</i> <ul style="list-style-type: none"> A subheading was added to signpost that the introductory material paragraphs that follow refer to the responsibilities of management, rather than those of the auditor.
Paragraph 8	<i>Effective Date</i> <ul style="list-style-type: none"> See Agenda Item 2, paragraphs 35-38 that explain the GC TF recommendation for the effective date.
<i>Risk Assessment Procedures and Related Activities</i>	
Paragraph 12	<i>Application Material</i> <ul style="list-style-type: none"> The first sentence in paragraph A24 was clarified to specify that the change in the method refers to a change from a prior period.
Paragraph 13	<i>Application Material</i> <ul style="list-style-type: none"> The first sentence of paragraph A29 was seen as unclear because it implied that the financial reporting requirements specify information about events or conditions. In response, the text was clarified to explain that some public sector entities may have additional reporting responsibilities which may provide the auditor information about events or conditions.

Reference	Explanation of Changes
<i>Evaluating Management's Assessment</i>	
Paragraph 17	<p><i>Application Material</i></p> <ul style="list-style-type: none"> To simplify the sentence, the words 'in such circumstances' were removed from paragraph A36. Also, the text was clarified to explain that the other factors that may be relevant refer to the auditor's evaluation of management's assessment.
Paragraph 19	<p><i>Requirement</i></p> <ul style="list-style-type: none"> The subtitle of the section was aligned with the requirement to refer to 'significant assumptions.' The following changes were made to the requirement: <ul style="list-style-type: none"> The phrase '<i>assessed risks in relation to the entity's ability to continue as a going concern</i>' was removed in response to comments that it is not a commonly used phrase elsewhere in the ISAs and may be confusing as to what it relates. Instead, revisions were made to explain that the auditor takes into account the results of the risk assessment procedures performed, including the nature and circumstances of events or conditions when determining the nature and extent of the audit procedures to evaluate the method, significant assumptions and data. The requirement was separated into two sentences so as not to unintentionally suggest that when there are no events or conditions that may cast significant doubt, paragraph 19 would not apply. <p>The GC TF also discussed that the requirement has become longer and does include some repetition. However, in considering the drafting changes the GC TF believes that the principle of clarity and understandability should prevail in this circumstance.</p> The words to evaluate that the calculations are applied in accordance with the method were reinserted in subparagraph (a)(ii), given this may be a relevant consideration irrespective of whether they are mathematically accurate. <p><i>Application Material</i></p> <ul style="list-style-type: none"> In paragraph A42, the word 'appropriate' was replaced with 'reasonable' to avoid misunderstanding that the

Explanation of Changes Made to Proposed ISA 570 (Revised 2024), *Going Concern*
IAASB Main Agenda (December 2024)

Reference	Explanation of Changes
	<p>guidance implies that the assumptions from the prior period audit are being reconsidered for their appropriateness.</p> <ul style="list-style-type: none"> The lead in sentence in paragraph A46 was extended to recognize that in addition to the nature and circumstances of events or conditions, the scalability of the auditor's procedures may also vary by the method, significant assumptions and data used by management in assessing the entity's ability to continue as a going concern.
Paragraph 20	<p><i>Requirement</i></p> <ul style="list-style-type: none"> The notion that both management or the auditor may identify events or conditions beyond the period of management's assessment was made explicit in the requirement.
Paragraph 21	<p><i>Application Material</i></p> <ul style="list-style-type: none"> The application material in paragraph A53 that addressed <i>Considerations Specific to Public Sector Entities</i> was repurposed to apply more broadly to other entities who may rely on government funding.
Paragraph 25	<p><i>Requirement</i></p> <ul style="list-style-type: none"> In subparagraph (a), the words 'to understand the effect' were reinstated as such understanding is required for the auditor being able to determine whether it is necessary to request management to revise its going concern assessment to address the events or conditions.
<i>Evaluating Management's Plans for Future Actions</i>	
Paragraph 28	<p><i>Application Material</i></p> <ul style="list-style-type: none"> In paragraph A63 (third bullet) the reference to business rationale for providing the financial support was removed. This is because when a third party is a financial services organization, it is unnecessary to request such rationale when requesting written confirmation from such parties. In paragraph A64 (third bullet) it was clarified that the inquiries of the auditor of the related party is in the context of a group audit engagement.

Explanation of Changes Made to Proposed ISA 570 (Revised 2024), *Going Concern*
IAASB Main Agenda (December 2024)

Reference	Explanation of Changes
<i>Information Becomes Available After the Date of the Auditor's Report</i>	
Paragraph 29	<p><i>Requirement</i></p> <ul style="list-style-type: none"> The wording in the requirement was aligned more closely with wording used in paragraph 10 of ISA 560.¹
<i>Evaluating the Audit Evidence Obtained and Concluding</i>	
Paragraph 31	<p><i>Application Material</i></p> <ul style="list-style-type: none"> In paragraph A72 the example in the last sentence was removed as it was found to be unclear and repetitive. Also, the second sentence was clarified in the context of the overarching requirement and the emphasis was retained that obtaining sufficient appropriate audit evidence about the events or conditions that may cast significant doubt, including mitigating factors in management's plans for future actions, is necessary to be obtained. Otherwise, a material uncertainty exists.
<i>Adequacy of Disclosures</i>	
Paragraphs 32-33	<p><i>Requirements and Application Material</i></p> <ul style="list-style-type: none"> See Agenda Item 2, paragraphs 23-25 that explain the GC TF recommendations for the adequacy of disclosures. In addition, paragraph A77 was extended to recognize that some financial reporting frameworks may also include disclosure requirements about management's plans for future actions to address events or conditions that may cast doubt.
<i>Implications for the Auditor's Report</i>	
Paragraph 34	<p><i>Application Material</i></p> <ul style="list-style-type: none"> In paragraph A83, the phrase 'auditor's professional judgment' was aligned with other instances where it is used in

¹ ISA 560, *Subsequent Events*

Explanation of Changes Made to Proposed ISA 570 (Revised 2024), *Going Concern*
IAASB Main Agenda (December 2024)

Reference	Explanation of Changes
	<p>the standard.</p> <ul style="list-style-type: none"> Paragraph A89 was aligned with the changes proposed to the requirement in paragraph 32 addressing the adequacy of disclosures in the financial statements when significant judgments are made by management in concluding that no material uncertainty exists.
Paragraph 38	<p><i>Application Material</i></p> <ul style="list-style-type: none"> In paragraph A95, the reference to the going concern basis of accounting was aligned with other instances where it is used in the standard.
<i>Written Representations</i>	
Paragraph 39	<p><i>Requirement</i></p> <ul style="list-style-type: none"> Subparagraph (d) has been extended to address: <ul style="list-style-type: none"> Written representation about disclosures related to going concern matters more broadly. Disclosures about significant judgments made by management in determining that no material uncertainty exists.
Paragraph 40	<p><i>Requirement</i></p> <ul style="list-style-type: none"> Given that the written representation in subparagraph (a) reflects management's judgment, the wording was aligned with the definition of Material Uncertainty (Related to Going Concern).
<i>Documentation</i>	
Paragraph 44	<p><i>Requirement</i></p> <ul style="list-style-type: none"> To improve readability and presentation, subparagraph (a) was split in separate bullets.

Explanation of Changes Made to Proposed ISA 570 (Revised 2024), *Going Concern*
IAASB Main Agenda (December 2024)

Reference	Explanation of Changes
<i>Appendix</i>	
Illustration 2	<ul style="list-style-type: none">• The assumed circumstances in the illustration were aligned with the changes proposed to the requirement in paragraph 32 addressing the adequacy of disclosures in the financial statements when significant judgments are made by management in concluding that there is no material uncertainty.• Specificity was provided when referring from the Key Audit Matter section to the Going Concern section (i.e., by indicating that the significant judgments made by management in concluding that there is no material uncertainty are by their nature key audit matters.