

May 2023

Consultation Paper
Exposure of the IAASB's *Proposed*
ISA 570 (Revised), Going Concern
and
Proposed Conforming and Consequential
Amendments to Other ISAs

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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Consultation Paper
Exposure of the IAASB's *Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*

Important Note and Disclaimer

This Consultation Paper is issued by the AUASB to provide information to auditors and assurance practitioners about IAASB Exposure Draft *Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*.

This Consultation Paper does not establish or extend the requirements under an existing AUASB Standard(s) and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors and assurance practitioners are required to comply when conducting an audit or other assurance engagement. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

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CONSULTATION PAPER

Exposure of the IAASB's Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs

Introduction

1. The International Auditing and Assurance Standards Board (IAASB) has issued *Exposure Draft, Proposed ISA 570 (Revised), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs (IAASB ED)*.
2. The Australian Auditing and Assurance Standards Board (AUASB) is seeking feedback from stakeholders to inform us when responding to the IAASB on the IAASB ED, and to identify potential compelling reasons¹ to modify ISA 570 (Revised) for application in Australia.
3. This Consultation Paper provides an overview of how the AUASB is requesting feedback from Australian stakeholders on the proposed changes detailed in the IAASB ED, and their impact on the Australian assurance environment.

Overview

Purpose

4. The aim of this Consultation Paper is to:
 - (a) provide stakeholders with information about the IAASB ED;
 - (b) provide stakeholders with information as to how the IAASB ED is being exposed by the AUASB; and
 - (c) seek stakeholder feedback.

Materials issued as part of this Consultation

5. The following materials have been issued to seek Australian stakeholder feedback:
 - (a) AUASB Consultation Paper to the IAASB ED (this document); and
 - (b) [IAASB ED](#).
6. The IAASB ED includes the IAASB's Explanatory Memorandum (IAASB EM) which provides the full background to, and an explanation of, the IAASB's proposed amendments to ISA 570 (Revised).
7. The IAASB ED and the related IAASB EM are included within this Australian Consultation Paper as an attachment – refer to Attachment 2.

Request for Comments

8. The AUASB requests comments on all matters relating to the IAASB ED, but specifically in relation to the IAASB Exposure Draft² questions at Attachment 1 by **14 August 2023**. Stakeholders' responses to these questions will be used to inform the AUASB in their formal response to the IAASB due by **24 August 2023**. Additionally, responses will be used in AUASB deliberations regarding the issuance of the final Australian standard, including

¹ Refer to paragraphs 23-24 for an explanation of compelling reasons.

² IAASB Explanatory Memorandum, *Section 3 Request for Comments*.

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assessing compelling reasons³ for any Australian-specific enhancements. Stakeholders may address only specific questions relevant to them or raise matters not specifically addressed by the questions.

9. Stakeholders are requested to clearly indicate whether they agree or do not agree with the proposed amendments. Comments will be most helpful when they refer to specific paragraphs, include the reasons for the comments, and, when appropriate, make specific suggestions for any proposed changes to wording.

Background (Refer to IAASB Explanatory Memorandum, paragraphs 2-10, for detail)

IAASB Project and Key Proposals on Going Concern

10. A strategic objective of the IAASB is to ensure the International Standards on Auditing (ISAs) continue to form the basis for high quality, valuable and relevant audits conducted worldwide by responding on a timely basis to issues noted in practice and emerging developments.
11. The IAASB ED is part of the IAASB's commitment towards facilitating trust in the financial reporting process by serving the needs of stakeholders. This includes clarifying the interaction between ISA 570 and the other International Auditing Standards.
12. The more significant changes proposed in IAASB ED have:
- (a) Introduced a definition of the phrase "material uncertainty" and provided clarity for other terminology used in the standard.
 - (b) Increased the period of the auditor's evaluation of management's assessment of going concern to at least twelve months from the date the financial statements are approved.
 - (c) Introduced new requirements for the auditor to evaluate the intent and ability of a third or related party, including the entity's owner-manager, when financial support by such parties is necessary to support management's assessment of going concern.
 - (d) Strengthened the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism.
 - (e) Modernised ISA 570 to be adaptable to the current business and audit environment, while considering scalability for different circumstances, such as those relating to public sector entities, and the impact of technology on the auditor's work related to going concern.
 - (f) Enhanced transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
13. For a further understanding of the significant matters dealt with in the Consultation Paper stakeholders should refer to the IAASB EM - Section 2, paragraphs 14 to 112.

³ Refer to paragraphs 23-24 of this Consultation Paper for an explanation of compelling reasons.

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Specific AUASB Considerations

14. The current ASA 570 includes paragraphs with requirements and application material additional to the extant version of ISA 570 that are identified with the prefix "Aus". The table below contains the current Aus paragraphs and Appendices in current ASA 570, and a preliminary view on how the AUASB expects to address these in any revised version of ASA 570:

Aus Paragraph/Appendix		AUASB's Preliminary View
3.1	Refers to the responsibilities of those charged with governance under the <i>Corporations Act 2001</i> to make a formal statement in relation to the solvency of the entity.	Still applicable as the requirements in the <i>Corporations Act 2001</i> relating to solvency statements have not changed.
13.1	Requires the auditor to assess the appropriateness of management's going concern assumption for the relevant period (detailed in para 13.2 below).	No longer required as IAASB ED covers this sufficiently.
13.2	Defines the relevant period of the auditor's evaluation of management's assessment of going concern which is the period of approximately twelve months from the date of the auditor's current report to the expected date of the next auditor's report.	<p>The current ISA 570 requires management's assessment to cover at least twelve months from the date of the financial statements. IAASB ED proposes to extend the date of the period of management's assessment to be at least twelve months from the date of approval of the financial statements which is different to the Aus paragraph requirement. Whilst these dates in most instances will align, they may not in all circumstances.</p> <p>The AUASB's preliminary view is that the difference in time period between the IAASB ED and ASA 570 is likely to be minimal, and it is appropriate to adopt the IAASB's period of assessment i.e., do not amend ISA 570 for this matter.</p> <p>Refer to question 18 where we are seeking views on whether to retain Aus 13.2 or to adopt the IAASB's proposed period of assessment.</p>

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Aus Paragraph/Appendix		AUASB’s Preliminary View
A15.1	Application material to clarify that, other than enquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern beyond the period assessed by management.	No longer required as covered by IAASB ED paragraph A40, which states that other than the enquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern beyond the period assessed by management.
A21.1	Refers to [Aus] Appendix 1 which contains an explanatory diagram mapping going concern considerations and types of audit opinions.	Dependent on the question below however the AUASB considers this is still applicable as stakeholders have previously expressed strong support for this Appendix.
A33.1	Refers to the inclusion of Illustration 4A of Appendix 2.	Still applicable.
A35.1	Refers to the auditor’s responsibilities under the <i>Corporations Act</i> in relation to the reporting of insolvent trading.	Still applicable as the requirements under the <i>Corporations Act</i> in relation to the reporting of insolvent trading have not changed.
Appendix 1	Contains an explanatory diagram mapping going concern considerations and types of audit opinions.	The AUASB’s view is that this is still applicable as stakeholders have expressed strong support for this Appendix.
Appendix 2	Contains illustrations of auditor’s reports relating to going concern.	The illustrative auditor’s reports will be revised and updated for Australian requirements.

15. The AUASB is seeking feedback on whether to retain or amend the Aus paragraphs and Appendices, as described in the table above, in any revised version of ASA 570.
16. Additionally, the AUASB is interested in receiving feedback from stakeholders on any potential impact of the proposed IAASB ED in relation to alignment with existing financial reporting requirements and the current version of ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

Proposed Application Date

17. It is proposed that the revised standard will be applicable for audits of financial reporting periods **beginning on or after approximately 18 months after the approval of a final ISA**. This application date corresponds with that of the equivalent ISA.

The AUASB's Approach in Seeking Stakeholder Feedback

18. The IAASB ED is issued for comment in Australia by the AUASB without modification.
19. The AUASB has a strategic objective to develop, issue and maintain high quality Australian Auditing Standards. In accordance with its mandates under section 227 of the ASIC Act 2001 and the Financial Reporting Council's (FRC) Strategic Direction, the AUASB's policy is to adopt the IAASB's auditing standards (ISAs), unless there are compelling reasons not to do so; and to amend the ISAs only when there are compelling reasons to do so.⁴
20. The AUASB's approach, in accordance with the AUASB International Strategy, is to actively influence the international standard setting process to produce international standards that serves as the most effective base possible from which to develop equivalent Australian Auditing Standards. As part of this strategy, the AUASB actively monitors the development of new IAASB Standards and revisions to IAASB Standards and provides continual feedback to raise issues with the IAASB throughout the international standard's development process.
21. The AUASB makes formal submissions on Exposure Drafts issued by the IAASB to contribute to the setting of international standards. Stakeholders' feedback in response to this Consultation Paper will be used to inform the AUASB in its formal response to the IAASB. Additionally, responses will be used in AUASB deliberations regarding the issuance of the final revised Australian Standards, including assessing compelling reasons for any Australian-specific enhancements.
22. Following the consultation process, influencing the development of IAASB ED and assessing implications for the Australian market (focusing on the need for any compelling reasons), the AUASB will consider for approval a revised ASA 570, which will be based on the final approved revised ISAs.
23. In accordance with the AUASB Policy and Process for International Conformance and Harmonisation of Standards, international standards should only be modified if there are compelling reasons to do so. The Compelling Reason Test⁵ for modification of an international standard is triggered when the international standard does not reflect, or is not consistent with, Australian legal and regulatory arrangements, or principles and practices that are considered appropriate in maintaining or improving audit quality in Australia. Compelling reasons are further guided by the AUASB's policy of harmonisation with the standards of the New Zealand Auditing and Assurance Standards Board (NZAuASB). Any such changes must not result in a requirement that is lesser than or in conflict with the requirements of the equivalent international standard.
24. Any deletion from the international standards will be clearly noted, and any addition or other modification will be clearly marked as an Australian paragraph ("Aus" prefix). However, minor wording and spelling changes (as opposed to changes reflecting the use of significant terminology) need not be reflected in the Australian standard as a modification to the international standard where the intent remains unchanged.

Additional Website Resources

25. The AUASB welcomes stakeholders' input to the development of Australian Auditing Standards and regards both supportive and critical comments as essential to a balanced review of the proposed standards. Stakeholders are encouraged to access the websites of the [AUASB](#) and the IAASB to obtain further information.

⁴ The AUASB's principles of convergence with the ISAs can be found in [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#). For further background on the AUASB's mandate and strategic directive, and the principles and process adopted by the AUASB to develop Australian Standards based on equivalent ISAs, refer to the AUASB's [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#).

⁵ Refer to [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#), for an explanation of the compelling reasons for modification of international standards and application of the Compelling Reasons Test.

ATTACHMENT 1

Overall Questions

1. Do you agree that the proposals in IAASB ED are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1 (see IAASB EM)?
2. Do you believe that the proposals in IAASB ED, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?
3. Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?
4. Do the requirements and application material of IAASB ED appropriately reinforce the auditor's application of professional scepticism in relation to going concern?

Specific Questions

5. Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase "may cast significant doubt"?
6. Does IAASB ED appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?
7. Do you support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of IAASB ED)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of IAASB ED in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?
8. Do you support the enhanced approach in IAASB ED that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern?
9. Does IAASB ED appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?
10. Do you support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support?

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11. Will the enhanced requirements and application material to communicate with those charged with governance (TCWG) encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern?
12. Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?
13. This question relates to the implications for the auditor's report for **audits of financial statements of all entities**, i.e., to communicate in a separate section in the auditor's report, under the heading "Going Concern" or "Material Uncertainty Related to Going Concern", explicit statements about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether a material uncertainty has been identified.

Do you support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable greater consistency and comparability across auditor's reports globally?
14. This question relates to the additional implications for the auditor's report for **audits of financial statements of listed entities**, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).

Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?
15. Is it clear that IAASB ED addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with IAASB ED and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.
16. Are there any other matters you would like to raise in relation to IAASB ED? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.
17. Effective Date - Recognising that IAASB ED is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The AUASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA?

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Australian specific questions

The AUASB is especially interested in stakeholders' views on:

18. Whether you agree with the AUASB's preliminary view in relation to the Aus paragraphs and Appendices contained in the current ASA 570 (refer to paragraph 14 above)? In particular do you agree with the AUASB's preliminary view on the period of evaluation of management's assessment? If not, provide reasons why.
19. Whether the proposed changes in the IAASB ED are adequately aligned with existing financial reporting requirements?
20. Whether the proposed changes in the IAASB ED have any corresponding impact on the current requirements of ISRE/ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*?
21. Have applicable laws and regulations been appropriately addressed in the proposed standard and are there any references to relevant laws or regulations that have been omitted?
22. Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions (refer paragraphs 20-22 of this Consultation Paper).
23. Whether there are any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions (refer paragraphs 20-22 of this Consultation Paper).
24. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of the proposed standard? If significant costs are expected, the AUASB would like to understand:
 - (a) Where those costs are likely to occur;
 - (b) The estimated extent of costs, in percentage terms (relative to audit fee); and
 - (c) Whether expected costs outweigh the benefits to the users of audit services?
25. What, if any, implementation guidance auditors, preparers and other stakeholders would like the AUASB to issue in conjunction with the release of ASA 570 (specific questions/examples would be helpful)?

Are there any other significant public interest matters that stakeholders wish to raise?

Exposure Draft

April 2023

Comments due: August 24, 2023

International Standard on Auditing

Proposed International Standard
on Auditing 570 (Revised 202X)
Going Concern

and

Proposed Conforming and
Consequential Amendments to
Other ISAs

About the IAASB

This document has been prepared and approved by the International Auditing and Assurance Standards Board. It does not constitute an authoritative pronouncement of the IAASB, nor does it amend, extend or override the International Standards on Auditing or other of the IAASB's International Standards.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Foundation for Ethics and Audit (IFEA).

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REQUEST FOR COMMENTS

This Exposure Draft, proposed ISA 570 (Revised 202X), *Going Concern* was developed and approved by the International Auditing and Assurance Standards Board® (IAASB®).

The proposals in this Exposure Draft may be modified in light of comments received before being issued in final form. **Comments are requested by August 24, 2023.**

Respondents are asked to submit their comments electronically through the IAASB website, using the “Submit a Comment” link. Please submit comments in both a PDF and Word file. First-time users must register to use this feature. All comments will be considered a matter of public record and will ultimately be posted on the website.

This publication may be downloaded from the IAASB website: www.iaasb.org. The approved text is published in the English language.

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Introduction

1. This memorandum provides background to, and an explanation of, the Exposure Draft of proposed International Standard on Auditing (ISA) 570 (Revised 202X), *Going Concern* (ED-570), which was approved for exposure by the IAASB in March 2023.

Background

2. Extant ISA 570 (Revised), *Going Concern* was last revised as part of the IAASB's project to revise the Auditor Reporting Standards.¹ The key enhancements included the following revisions to the auditor's report in relation to going concern:
 - A description of the respective responsibilities of management and the auditor for going concern; and
 - Reporting a separate section under the heading "Material Uncertainty Related to Going Concern" when a material uncertainty exists and is adequately disclosed.

In addition, a new requirement was included to evaluate the adequacy of disclosures, in view of the requirements of the applicable financial reporting framework, in situations when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, after considering management's plans to deal with these events or conditions, management and the auditor conclude that no material uncertainty exists (i.e., "close call" situations).

Drivers for the Project

3. Corporate failures across the globe in recent years have brought the topic of going concern to the forefront and led to stakeholder demands for enhanced transparency on going concern. Conditions, such as war and the global pandemic, have also caused heightened risks focusing attention on the challenges and issues pertaining to the auditor's responsibilities and work related to management's assessment of an entity's ability to continue as a going concern,² and the reporting thereof. In addition, the ongoing uncertainties in the broader economic environment and the more recent turmoil in the financial sector have again put a spotlight on the topic of going concern, further emphasizing the need for a more robust standard. The input from, and timely response by, stakeholders therefore is crucial in ensuring that proposed ISA 570 (Revised 202X) remains fit-for-purpose in the current and future macroeconomic and geopolitical environments.
4. Since 2015, some stakeholders, including the PIOB, have continued to encourage the IAASB to consider further enhancements and clarifications to the IAASB's auditing standard on going concern. The IAASB is also aware of recent standard-setting action in certain jurisdictions that have addressed the topic of going concern, as well as other current initiatives underway globally to consider what more can be done by auditors as it relates to going concern, further highlighting the broader public interest in this topic.

¹ The new and revised Auditor Reporting Standards were issued in January 2015, after due process approval by the PIOB, and became effective for audits of financial statements for periods ending on or after December 15, 2016. For further information, see the Auditor Reporting project [page](#) or the Auditor Reporting focus area [page](#).

² Further referred to as "management's assessment of going concern" or "management's assessment."

5. In early 2020, the IAASB commenced information-gathering and research activities on going concern in an audit of financial statements, which included the development of the 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*](#), that was published in September 2020 for consultation. In relation to going concern specifically, the objective of the consultation was to obtain feedback about the issues and challenges in applying extant ISA 570 (Revised) in light of the changing environment, jurisdictional developments and evolving public expectations, including whether more informative communication about going concern with those charged with governance (TCWG) and in the auditor's report was appropriate or needed.
6. In addition, from 2019-2021, the IAASB undertook a post-implementation review (PIR) of the new and revised Auditor Reporting Standards to help the IAASB understand whether the revisions made are being consistently understood and implemented, and to help inform considerations of any further possible actions.³ The IAASB incorporated the feedback from the PIR to supplement its information gathering and research activities relating to going concern.

Project to Revise Extant ISA 570 (Revised)

7. In March 2022, the IAASB approved a [project proposal](#) to undertake certain targeted actions to revise extant ISA 570 (Revised). The project objectives that support the public interest, which are described in Section III of the project proposal, included enhancing or clarifying extant ISA 570 (Revised) to:
 - Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern;
 - Strengthen the auditor's evaluation of management's assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism; and
 - Enhance transparency with respect to the auditor's responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.
8. The project proposal provides further background about the scope of the project, including the going concern-related issues that were identified and an explanation of the information-gathering, targeted outreach and other activities that formed the basis for the project proposal.

Liaison and Engagement with Accounting Standard Setting Bodies

9. During the course of the project, the IAASB engaged with other stakeholders in the financial reporting ecosystem and in particular those with a direct influence on financial reporting. This engagement included continued dialogue with the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB).
10. In developing ED-570, the IAASB remained mindful that certain issues are not solely within the IAASB's remit as well as that it is necessary for the proposed changes in ED-570 to remain aligned with recognized financial reporting frameworks, such as the IFRS Accounting Standards of the IASB, and the standards of the IPSASB. To meet stakeholder expectations in this regard, when developing

³ For further information on the PIR, see the Auditor Reporting Implementation project [page](#).

the proposals for ED-570, the IAASB remained cognizant of the requirements in IAS 1⁴ and IPSAS 1⁵ (see paragraphs 20, 39, 71 and 110) and leveraged educational and other agenda materials of the IASB (see paragraphs 23–24 and 83).

Coordination with Other IAASB Task Forces, Working and Consultation Groups, and IESBA

IAASB Task Forces, Working Groups and Consultation Groups

11. In developing ED-570, the IAASB adhered to the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines.⁶ Since the approval of the project proposal, coordination activities with other IAASB task forces, working and consultation groups included:
 - Auditor Reporting Consultation Group: Informing the approach when developing the proposals for updating the illustrative independent auditor's reports in the appendix of ED-570.
 - Professional Skepticism Consultation Group: Discussions focused on the approach taken, and changes proposed to address professional skepticism in ED-570.
 - Technology Consultation Group: Proposed enhancements to the application material to incorporate examples of automated tools and techniques and to emphasize the impact of technology on the auditor's work related to going concern.
 - Audits of Less Complex Entities Task Force: Discussions about the approach used to address scalability in the application material of ED-570 and the examples relevant for smaller or less complex entities.
 - IAASB-IASB Liaison Working Group: Support in the continued dialogue and engagement with the IASB on issues of mutual interest relating to going concern.
12. In addition, in developing ED-570, consideration was given to the following matters that are being contemplated by other ongoing IAASB projects:
 - Audit Evidence Project: The IAASB considered proposed ISA 500 (Revised), *Audit Evidence* that was issued for exposure in October 2022. Any further alignment changes that may be necessary for certain proposals in ED-570 as a result of proposed ISA 500 (Revised) will be considered once the final revised standard on audit evidence is approved.
 - Fraud Project: Given that the fraud project is also considering possible changes, among other proposed actions, to enhance transparency in the auditor's report, the IAASB are aware of the impact the collective changes would have on the auditor's report. The IAASB is also mindful about coordinating the possible effective date for ED-570 and the revised standard on fraud.
 - Listed Entity and Public Interest Entity (PIE) Project: The project is addressing narrow scope amendments arising from the recently completed equivalent project of the International Ethics Standards Board for Accountants (IESBA),⁷ through actions to develop an objective for

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

⁵ International Public Sector Accounting Standard (IPSAS) 1, *Presentation of Financial Statements*

⁶ See the [CUSP Drafting Principles and Guidelines](#).

⁷ The [final pronouncement](#) from IESBA's project, Revisions to the Definitions of Listed Entity and Public Interest Entity in the Code, was issued in April 2022.

establishing differential requirements for certain entities in the ISQMs⁸ and ISAs, and to consider replacing the definition of listed entity with IESBA’s definition of “publicly traded entity” and introducing the definition of “PIE”. The IAASB recognizes that further alignment changes may be necessary for certain proposals related to enhancing transparency in the auditor’s report in ED-570 that apply to listed entities. Such matters will be further considered once the IAASB’s deliberations on the Listed Entity and PIE project are concluded.

IESBA

13. The Going Concern Task Force liaised with IESBA Staff to ensure that ED-570 is aligned with the IESBA’s *International Code of Ethics for Professional Accountants (including International Independence Standards)* (the IESBA Code). Matters discussed included the proposed requirement to report to an appropriate authority outside of the entity when law, regulation or relevant ethical requirements require the auditor to do so or establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances (see paragraphs 65-67).

Section 1 Guide for Respondents

The IAASB welcomes comments on all matters addressed in ED-570, but especially those identified in the Request for Comments section. Comments are most helpful when they refer to specific paragraphs, include the reasons for the comments, and make specific suggestions for any proposed changes to wording. When a respondent agrees with proposals in ED-570, it will be helpful for the IAASB to be made aware of this view as support for the IAASB’s proposals cannot always be inferred when not stated.

Respondents are also free to address only questions relevant to them (i.e., respondents may respond to all questions or only those questions where they have specific comments).

Section 2 Significant Matters

Section 2-A – Public Interest Issues Addressed in ED-570

14. In developing ED-570, the IAASB considered the qualitative standard-setting characteristics set out in paragraph 36 of the project proposal and those included in the Public Interest Framework (PIF)⁹ as criteria to assess the proposed standard’s responsiveness to the public interest.
15. **Appendix 1** to this Explanatory Memorandum sets out a table that maps the proposed revisions to enhance or clarify proposed ISA 570 (Revised 202X) to the standard-setting actions included in the project proposal as the actions are directly related to the project objectives that support the public interest. **Appendix 1** to this Explanatory Memorandum also highlights what qualitative standard-setting characteristics were at the forefront, or of most relevance, when determining how to address each proposed action. These qualitative standard-setting characteristics are summarized in the box below.

⁸ International Standards on Quality Management

⁹ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#) (pages 22–23 of the PIF’s section on “What qualitative characteristics should the standards exhibit?”).

Qualitative Standard-Setting Characteristics Considered

- ▶ *Scalability* – addresses both less and more complex circumstances, commensurate with the nature and circumstances of the entity (e.g., through the scalability examples provided in the application material).
- ▶ *Proportionality* – addresses the issues in a proportionate manner by considering the relative impact that the proposals may have on different users (e.g., by considering the differing needs or heightened expectations of intended users to appropriately identify those requirements that are specifically relevant to the audits of financial statements of listed entities).
- ▶ *Relevance* – focuses on responding to emerging issues, evolving stakeholder needs and perceptions and changes in business environments and technology (e.g., through robustly addressing the auditor’s identification of going concern-related events or conditions, the impact of events or conditions subsequent to the period of management’s assessment of going concern, and enhanced application material addressing the use of automated tools and techniques).
- ▶ *Clarity and conciseness*, including overall *understandability* – addresses minimizing the likelihood of differing interpretations (e.g., in relation to the proposed definition of Material Uncertainty (Related to Going Concern) and other clarifications proposed related to terminology, as well as providing clear and definitive direction on key matters such as the timeline of the going concern assessment, the auditors evaluation of management’s assessment, and communication and auditor reporting requirements).
- ▶ *Implementability* and ability of being *consistently applied and globally operable* – focuses on improving comparability and consistency across auditor reports globally about the auditor’s responsibilities and work related to going concern (e.g., by reporting going concern matters in the auditor’s report either in a section on Going Concern or Material Uncertainty Related to Going Concern and by reinforcing the benefit to users of a management’s assessment of going concern that includes more current information).
- ▶ *Coherence* – with the overall body of ISAs (e.g., by building appropriately on the foundational requirements in ISA 315 (Revised 2019)¹⁰ and adequately articulating the concepts introduced from ISA 540 (Revised),¹¹ such as in relation to the auditor’s evaluation of management’s method, assumptions, and data).

Section 2-B – Overview of the Key Changes Proposed in ED-570

16. **Appendix 2** to this Explanatory Memorandum shows a chart that presents the key elements of enhanced or clarified ED-570. The chart depicts a walkthrough of the auditor’s 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.
17. The paragraph references in the chart relate to the paragraphs of ED-570. Also, in developing the chart, the IAASB referred to management’s responsibilities for assessment of the entity’s ability to

¹⁰ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

¹¹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

continue as a going concern required by International Accounting Standard (IAS) 1, *Presentation of Financial Statements* and in doing so leveraged the [education material](#) issued by the IFRS Foundation in January 2021.

Section 2-C – Terminology

18. Respondents to the DP supported providing clarity for key concepts and terminology associated with going concern, such as describing or defining “Material Uncertainty Related to Going Concern” and “significant doubt.” Respondents noted that these terms are inconsistently understood and may therefore have varying interpretations, as well as that some financial reporting frameworks may describe or define these terms differently.

Defining Material Uncertainty (Related to Going Concern)

19. In ED-570, the IAASB included a new definition for the concept “Material Uncertainty (Related to Going Concern)” by relocating and repurposing the essential material included in paragraph 18 of extant ISA 570 (Revised). Given the pervasive use of the concept throughout the requirements of the standard, the IAASB believes that including the definition in ED-570 enables *clarity and conciseness*, by enhancing the standard’s *understandability* and facilitates *consistency* in practice by minimizing the likelihood of varying interpretations that could occur.

20. The IAASB believes that the proposed definition:

- Does not give rise to inconsistencies with recognized financial reporting frameworks, given that the term “material uncertainty”, for example, remains undefined by the IFRS Accounting Standards.¹²
- Remains consistent with the auditor’s objective stated in paragraph 9(b) of ED-570 and paragraph 9(b) of extant ISA 570 (Revised) that set an obligation for the auditor to conclude (irrespective of management’s conclusion) whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

Paragraph A4 of ED-570 recognizes that different reporting frameworks may use the same or another equivalent term. Regardless of whether or how the applicable financial reporting framework defines a “material uncertainty”, consistent with paragraph 18 of extant ISA 570 (Revised) the auditor is required by ED-570 to conclude whether such a material uncertainty exists.

21. In developing the proposed definition, the IAASB considered whether the defined term should be “Material Uncertainty Related to Going Concern” as this would align with the heading of the section in the auditor’s report required to be used by paragraphs 34–35 of ED-570. However, the IAASB decided to include the phrase “Related to Going Concern” in brackets because:

- The term “material uncertainty” is consistent and aligns with the key concepts and terminology

¹² The IASB had previously considered narrow focused amendments to IAS 1 (see [Agenda Item AP3A](#) discussed by the IASB in March 2013) to clarify certain aspects of the standard, however, such proposals were not ultimately pursued by the IASB. Those proposals included factors relevant to management’s judgments 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, the magnitude of the potential impact on the entity if the event or condition giving rise to the uncertainty occurs, likelihood of that event or condition occurring and the likely timing of the event or condition giving rise to the uncertainty).

used in the IFRS Accounting Standards.

- The approach avoids unnecessary substantial changes in aligning terminology used throughout the proposed standard, including for the objective stated in paragraph 9(b) of ED-570, as well as other conforming and consequential amendments to other ISAs.
 - The inclusion of the clarifying phrase in brackets is consistent with the approach undertaken for other definitions in the ISAs, in particular in ISA 500¹³ for defining the terms “Appropriateness (of audit evidence)” and “Sufficiency (of audit evidence).”
22. The IAASB considered and made alignment changes to ED-570 for consistency of terminology with the definition of Material Uncertainty (Related to Going Concern). In certain instances, where the context was appropriate, this included simplifications by replacing the “long form” of the phrase (i.e., “material uncertainty that may cast significant doubt on the entity’s ability to continue as a going concern”) with the “short form” (i.e., “material uncertainty”). However, in considering the alignment changes for terminology, the IAASB also believed that it is still appropriate to retain the “long form” in certain instances, for example, when providing the explicit statements in the auditor’s report (see paragraphs 75-78). This was considered necessary to keep the wording aligned with the auditor’s responsibilities section of the auditor’s report as required by ISA 700 (Revised).¹⁴

Clarifying the Phrase “May Cast Significant Doubt”

23. The IAASB included new application material in paragraph A5 of ED-570 to clarify the phrase “*may cast significant doubt*” used in the definition of Material Uncertainty (Related to Going Concern). The IAASB believes this is appropriate because it is:
- Reflective of the “threshold” for when the individual or collective magnitude of identified events or conditions is such that the entity will be unable to meet its obligations and continue its operations for the foreseeable future unless management takes remedial actions.
 - Better aligned with the use of the phrase in IAS 1 and the Financial Accounting Standards Board (FASB) definition for “Substantial Doubt about an Entity’s Ability to Continue as a Going Concern”¹⁵ (e.g., where the threshold of “probable” is used).
24. Consistent with financial reporting frameworks such as IFRS Accounting Standards (see IAS 1 and other IASB materials¹⁶) and US GAAP,¹⁷ the application material highlights that management is required to consider the impact of the events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern both before and after considering the effect of mitigating factors:
- *Before* mitigating factors relating to events or conditions that could cause the entity to liquidate or to cease trading (in IAS 1) or not to be able to meet its obligations as they become due within one year after the date that the financial statements are issued (in US GAAP).

¹³ ISA 500, *Audit Evidence*

¹⁴ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 39(b)(iv)

¹⁵ See the FASB glossary of Accounting Standards Update Subtopic 205-40, *Presentation of Financial Statements—Going Concern*.

¹⁶ See [Agenda Item AP12](#) of the November 13-14, 2012 IASB meeting and [Agenda Item 8B](#) of the November 2013 IASB meeting.

¹⁷ The FASB Accounting Standards Codification is the source of authoritative, nongovernmental US generally accepted accounting principles (GAAP).

- *After* management has deployed remedial actions, outside of the normal course of business, to mitigate the adverse effects of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Section 2-D – Risk Identification and Assessment

Approach to the Proposed Revisions for Risk Identification and Assessment

25. Respondents to the DP supported a clearer link between the requirements in ISA 315 (Revised 2019) and extant ISA 570 (Revised). Considering the *coherence* of the overall body of its standards, in developing its approach to enhance ED-570 for risk identification and assessment the IAASB had the following objectives:
- Strengthen the standard while avoiding repeating material already in ISA 315 (Revised 2019), to the extent that there is no loss of *understandability*. This included adding incremental requirements and application material relevant for going concern matters that supplement the broader requirements of ISA 315 (Revised 2019).
 - Incorporate the key concepts, as well as the structural elements from ISA 315 (Revised 2019) related to performing risk assessment procedures to improve the relationship and integration between ISA 315 (Revised 2019) and extant ISA 570 (Revised).

Risk Assessment Procedures and Related Activities

26. The risk assessment procedures in extant 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.
27. There was support from the feedback to the DP that the auditor should be required to perform specific risk assessment procedures in relation to going concern that are beyond inquiry and discussion because this would:
- Enable the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern earlier in the course of the audit.
 - Support the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that have not been identified by management.
28. Considering respondents support, the IAASB proposes elevating the extant requirements from "inquiry and discussion" to a more robust approach as reflected in paragraph 11 of ED-570. The auditor is now required 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 paragraph 30 of ED-570.
29. Paragraphs A8–A9 of ED-570 highlight the connection with the broader requirements of ISA 315 (Revised 2019), explain why the risk assessment procedures and related activities for matters addressing going concern are relevant, and emphasize that the auditor uses professional judgment to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of the standard.
30. Certain examples of audit procedures previously included in paragraph A16 of extant ISA 570 (Revised) were reallocated to the application material for the risk assessment procedures and related

activities in paragraph A11 of ED-570, given they provide examples of procedures that may be relevant to identifying events or conditions. This paragraph is also intended to:

- Enhance the robustness and timeliness of the risk assessment procedures performed.
- Align the nature of the procedures with those in paragraph 14 of ISA 315 (Revised 2019).
- Link 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 in ISA 315 (Revised 2019).

Examples of Events or Conditions

31. As suggested by respondents to the DP, the IAASB enhanced and modernized the examples of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in paragraph A6 of ED-570. In addition, the IAASB:
- Added a clarification to draw attention that the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are identified by the auditor before consideration of any related mitigating factors included in management's plans for future actions (i.e., on a "gross basis").
 - Emphasized that the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are considered individually or collectively.
 - Aligned the description of the events or conditions with those set out in the appendices of ISA 315 (Revised 2019) and ISA 240,¹⁸ i.e., where the event or condition being described is the same, but wording used in the description is different. The alignment seeks 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 ED-570.
32. Also, the IAASB included new application material in paragraph A7 of ED-570 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. The application material aims to improve the linkage between the standards and support the auditor maintaining professional skepticism when applying ED-570.

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

33. New requirements and related application material are included in paragraphs 12 and A15–A22 of ED-570 when performing risk assessment procedures, focusing on specific going concern matters by expanding on the foundational requirements in paragraphs 19–26 of ISA 315 (Revised 2019).
34. The structure of the new requirements is consistent with the approach taken in ISA 540 (Revised)¹⁹ and ISA 600 (Revised)²⁰ with the objective 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

¹⁸ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁹ ISA 540 (Revised), paragraph 13

²⁰ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph 30

concern by:

- 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.
 - Following the same order as paragraphs 19-26 of ISA 315 (Revised 2019).
35. Given the desire to avoid repetition and remain *coherent* with the overall body of standards, the IAASB reflected on whether it is appropriate to include application material in ED-570 that is also addressed in ISA 315 (Revised 2019), such as application material in respect of business risks (see paragraph A15 of ED-570). On balance, the IAASB formed the view that it would be important to address the guidance in the application material of ED-570 rather than to cross-reference to ISA 315 (Revised 2019) or by providing a separate appendix to the standard because:
- 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 proper and *consistent* application of the requirements of the standard.
 - 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.

Other Proposed Enhancements for Risk Identification and Assessment

36. To address auditor's procedures relevant for going concern when applying ISA 315 (Revised 2019), new requirements were included in paragraphs 14–15 of ED-570 in relation to events or conditions that have not been previously identified or disclosed by management and for control deficiencies within the entity's system of internal control. The enhancements related to control deficiencies specifically build on paragraph 27 of ISA 315 (Revised 2019).

Section 2-E – Timeline Over Which the Going Concern Assessment is Made

Period of Management's Assessment

37. Respondents to the DP expressed mixed views about extending the minimum period of management's assessment of going concern beyond twelve months. Comments were made that as the time period for assessing going concern increases, the assessment becomes less meaningful due to the higher level of uncertainty and difficulty for the auditor to obtain sufficient appropriate audit evidence. However, respondents were supportive of exploring a change in the commencement date of the twelve-month period of management's assessment, which is used as the basis for the auditor's evaluation. Paragraph 13 of extant ISA 570 (Revised), uses the date of the financial statements as defined in ISA 560.²¹
38. The IAASB is also aware that certain jurisdictions such as Australia, New Zealand, the United Kingdom, and the United States, have amended their national equivalent going concern standards to require the commencement date of the twelve-month period of management's assessment to be the date the financial statements are issued or approved or when the auditor's report is signed.

²¹ ISA 560, *Subsequent Events*

39. In its deliberations on ED-570, the IAASB considered the support from respondents to the DP, jurisdictional developments, and [education material](#) issued by the IFRS Foundation²² and concluded that pursuing a different commencement date of the twelve-month period of management's assessment of going concern would not be inconsistent with the requirements of recognized financial reporting frameworks. Such frameworks establish a minimum ("at least, but not limited to") twelve-month period, not a cap, i.e. emphasizing that the outlook is not limited to twelve months.²³ The IAASB believes that it is therefore *relevant* for ED-570 to acknowledge that the recognized financial reporting frameworks specify a minimum period for which management is required to take into account all available information as this would acknowledge that a longer time frame than the minimum period can be considered.
40. The IAASB believes that pursuing a different commencement date in ED-570 of the twelve-month period of management's assessment of going concern:
- Enables greater *comparability* and *consistency* among jurisdictions globally, given that some jurisdictions have already adopted a different commencement date of the period of the auditor's evaluation in their national equivalent auditing standards.
 - Aligns with evolving practice whereby a different commencement date of the period of the auditor's evaluation is often applied, although not required by extant ISA 570 (Revised).
 - Reinforces the benefit to users of a management's assessment of going concern that includes more current information, as the commencement date of the assessment would be extended.
41. In considering which date should be used in ED-570 as the commencement date of the twelve-month period of management's assessment of going concern, the IAASB considered several possible dates as defined in ISA 560, including the date of approval of the financial statements, the date of the auditor's report and the date the financial statements are issued. The IAASB decided to refer to a period of at least twelve months from the date of approval of the financial statements because in most jurisdictions, this date is a widely recognized date that may be prescribed in statutory requirements for when management, TCWG or those with recognized authority assert that they have taken responsibility for the financial statements.

Management Unwilling to Make or Extend its Assessment

42. Extant ISA 570 (Revised) requires the auditor to consider the implications to the auditor's report if management is unwilling to make or extend its assessment when requested to do so by the auditor. The IAASB recognized that as a consequence of the proposed change discussed in paragraph 41 above, it was appropriate to provide certain flexibility in ED-570 to enable the auditor to obtain sufficient appropriate audit evidence and issue an unmodified opinion when the circumstances are such that management is able to provide additional information to support the appropriateness of their use of the going concern basis of accounting, even when the period used in their assessment

²² In the education material, the IFRS Foundation clarified that considering time periods longer than twelve months is not inconsistent with the requirements in IAS 1, which establishes a minimum period, not a cap, as well as that requiring consideration of going concern for twelve months from the date that financial statements are authorized for issue as required by some national regulations is not inconsistent with IAS 1.

²³ IAS 1, the IFRS for SMEs Accounting Standard, and IPSAS 1, require a date, which is at least, but is not limited to, twelve months from the end of the reporting period, the reporting date, or the approval of the financial statements, respectively.

is less than twelve months from the date of approval of the financial statements. In doing so, the IAASB remained mindful not to weaken the extant requirements.

43. The IAASB:

- Added a new requirement and application material in paragraphs 22 and A43–A44 of ED-570 for the auditor to discuss with management, or where appropriate, with TCWG if management is unwilling to make or extend its assessment when requested to do so by the auditor, which provides the flexibility described in paragraph 42. This enables the auditor to appropriately address a situation where, for example, management's assessment does not cover a period of at least twelve months from the date of approval of the financial statements, however, the entity has profitable operations and no liquidity concerns, and management or TCWG have not identified any events or conditions that may cast significant doubt on the entity's ability to continue as going concern beyond the period of assessment they have chosen.
- Strengthened the requirement in paragraph 23 of ED-570 by scoping it more widely, i.e., for the auditor to determine the implications for the audit rather than to consider the implications to the auditor's report alone.

44. To emphasize the connection with the overarching documentation requirements for the auditor to document significant professional judgments made,²⁴ which may also extend to the appropriateness of the period used by management in its going concern assessment, the IAASB proposed a consequential amendment to paragraph A10 of ISA 230. This included adding an example that the basis for the auditor's conclusion on the reasonableness of areas of subjective judgments made by management may include management's judgments in relation to the going concern basis of accounting.

Section 2-F – Evaluating Management's Assessment of Going Concern

Evaluating Management's Assessment of Going Concern

45. Extant ISA 570 (Revised) requires the auditor to evaluate management's assessment of going concern. However, the auditor is required to perform certain additional audit procedures on management's assessment of going concern only in circumstances when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.²⁵
46. Paragraphs 3–4 of extant ISA 570 (Revised) describe management's responsibility for assessment of the entity's ability to continue as a going concern, including that 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. Management's assessment of going concern is underpinned by assumptions and judgments 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.
47. Respondents to the DP emphasized the need to strengthen the standard by providing for more rigorous procedures to appropriately challenge management's assumptions and judgments underpinning its assessment of the entity's ability to continue as a going concern.

²⁴ ISA 230, *Audit Documentation*, paragraph 8

²⁵ See paragraphs 12 and 16 of extant ISA 570 (Revised).

48. In this regard, the IAASB proposed in paragraph 17 of ED-570 for the auditor to “design and perform audit procedures” to evaluate management’s assessment of the entity’s ability to continue as a going concern. Also, in paragraph 16 of ED-570, the auditor is required to request management to make its assessment of going concern, if such an assessment has not yet been performed. These revisions enable a more robust approach in ED-570 as the auditor is required to perform audit procedures on management’s assessment in all circumstances, recognizing that management’s assumptions and judgments underpinning its assessment of the entity’s ability to continue as a going concern includes management’s determination as to whether or not events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern exist.
49. The IAASB also clarified in paragraph A29 of ED-570 that management’s assessment of the entity’s ability to continue as a going concern is a key part of the auditor’s evaluation whether:
- Management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - A material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

The IAASB emphasized the two components included in management’s assessment of going concern given the objectives in paragraph 9 of ED-570 and the auditor’s conclusions required by paragraphs 29–30 of ED-570. The application material also acknowledges that in situations when, in the auditor’s professional judgment, management has not performed an appropriate analysis to support its assessment, this may be an indicator of a deficiency in internal control in accordance with ISA 265.²⁶

Method, Assumptions and Data Used in Management’s Assessment

50. Respondents to the DP supported applying concepts introduced in ISA 540 (Revised) when the auditor evaluates management’s assessment of going concern.
51. The IAASB proposed in ED-570:
- A new requirement in paragraph 19 to evaluate the method, assumptions and data used by management to make its assessment of going concern. In doing so, the IAASB leveraged paragraphs 23–25 of ISA 540 (Revised).
 - Application material in paragraphs A34–A37 that facilitates the auditor to more appropriately challenge the method, assumptions and data used by management to make its assessment, including to consider the risk of management bias. This supports the auditor maintaining professional skepticism when applying ED-570.

Information Used in Management’s Assessment

52. The requirement in extant ISA 570 (Revised) for the auditor to consider whether management’s assessment includes all relevant information of which the auditor is aware as a result of the audit has been retained (see paragraph 24 of ED-570). In addition, the IAASB strengthened this section by introducing a new requirement for when events or conditions have been identified that may cast

²⁶ ISA 265, *Communicating Deficiencies in Internal Control to Management and Those Charged With Governance*

significant doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor (see paragraph 25 of ED-570).

Section 2-G – Evaluating Management's Plans for Future Actions

53. With respect to the auditor's evaluation of management's plans for future actions, respondents to the DP supported further clarity related to when written evidence to provide financial support is obtained from a third-party, and for whether, and in what circumstances this constitutes sufficient appropriate audit evidence. There was also support for addressing the concept of obtaining audit evidence about management's "intent" and "ability" regarding its plans for future actions.
54. Considering this support, the IAASB:
- Strengthened the requirements for the auditor to evaluate management's plans for future actions to also include whether management has the intent and ability to carry out the specific courses of action (see paragraph 26 of ED-570).
 - Added a new requirement for the auditor to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide necessary financial support (see paragraph 27 of ED-570).
55. New application material was also developed that among other matters (see paragraphs A47–A54 of ED-570):
- Provides examples of auditor's procedures that may be relevant when evaluating management's plans for future actions.
 - Emphasizes that, when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's conclusion as to whether a material uncertainty exists is dependent on the auditor's evaluation of management's plans for future actions.
 - Sets out guidance for circumstances when the auditor may consider requesting an external confirmation of the existence and terms of borrowing facilities with external finance providers or consider requesting written confirmation of third parties or related parties, including the entity's owner-manager about their intent to provide necessary financial support.
56. The IAASB also aligned the requirements for written representations for the changes referenced in paragraph 54 and added an example in the application material to highlight that the auditor may still request a written representation from management as to the validity of the related terms and conditions in the written confirmation obtained from a related party, including the entity's owner-manager.

Section 2-H – Professional Skepticism

57. The IAASB incorporated the concept of professional skepticism in several parts of ED-570, including for risk assessment procedures and related activities, when evaluating management's assessment of going concern and when evaluating whether sufficient appropriate audit evidence has been obtained.
58. Paragraph A10 of ED-570 draws attention to the foundational requirement in 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 evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Given that ISA 315 (Revised 2019) sets out the overarching requirements which also apply to risks of material misstatement related to going concern, the IAASB believes that it is not necessary to repeat this requirement in ED-570 to maintain the *coherence* of its standards.

59. Paragraph 18 of ED-570 leverages paragraph 18 of ISA 540 (Revised) and requires the auditor to design and perform the audit procedures to evaluate management’s assessment of going concern in an unbiased manner. The IAASB believes that it is *relevant* to include a similar requirement in ED-570, given that ISA 540 (Revised) is not a foundational standard that sets out overarching requirements that apply to the audit procedures related to going concern. New application material has been provided in paragraph A32 of ED-570 with examples of contradictory and corroborative information when evaluating management’s assessment of going concern.
60. Paragraph 29 of ED-570 requires the auditor to 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 and, if so, to evaluate the implications for the audit (application material in paragraphs A57–A60 of ED-570 supports the proper application of the requirement). In addition, the auditor is required to “stand back” and consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.
61. The IAASB believes that including these requirements in ED-570 will assist in supporting the maintenance of professional skepticism and would further supplement the enhancements already proposed in ED-570 that support the auditor’s application of professional skepticism discussed in paragraphs 32 and 51 above.

Section 2-I – Transparency About the Auditor’s Responsibilities and Work Related to Going Concern

62. Respondents to the DP supported more transparency about the auditors work in relation to going concern and expressed differing ways in which this could be achieved.²⁷

Communication with TCWG

63. Respondents to the DP emphasized that extant ISA 570 (Revised) should be improved to encourage early transparent dialogue among the auditor, management and TCWG and to enhance two-way communication with TCWG for matters related to going concern.
64. To address the robustness and timeliness of the communications with TCWG, the IAASB:
 - Added a new requirement in paragraph 12(f) of ED-570 for the auditor to obtain an understanding of how TCWG exercise oversight over management’s assessment of going concern. The requirement aims to promote two-way communication with TCWG about what they consider to be identified events or conditions that may cast significant doubt on the entity’s

²⁷ Supportive respondents to the question included respondents who were in the following categories: (i) Supportive of enhanced transparency both with TCWG and in the auditor’s report, (ii) Supportive of enhanced transparency with TCWG, but not in the auditor’s report, (iii) Supportive of enhanced transparency in the auditor’s report, but not with TCWG, and (iv) Supportive of enhanced transparency in other areas (e.g., with regulatory authorities).

ability to continue as a going concern and support the auditor's identification of areas of potential focus regarding management's assessment of going concern at the planning stage of the audit.

- Strengthened the requirements in paragraph 39 of ED-570 for communication with TCWG when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as are going concern. The requirement now includes communication for broader matters, including the adequacy of the disclosures that describe the significant judgments made by management and the mitigating factors in management's plans, the basis for the auditor's conclusions and an overview of the audit procedures performed, and when applicable management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern.
- Included new application material in paragraphs A87–A89 of ED-570 to provide examples of the nature, timing and extent of the communications expected, emphasizing the ongoing nature of the communications.

Communication with Appropriate External Parties

65. Respondents to the DP recognized increased expectations from stakeholders regarding the public interest role of the auditor and supported a requirement in ED-570 to report to an appropriate external authority when the auditor determines it is necessary to include a Material Uncertainty Related to Going Concern section in the auditor's report or issue a modified opinion in respect of going concern. This goes beyond the application material in paragraph A34 of extant ISA 570 (Revised) which recognizes that when the auditor of a regulated entity considers that it may be necessary to include a reference to going concern matters in the auditor's report, the auditor may have a duty to communicate with the applicable regulatory, enforcement or supervisory authorities.
66. The IAASB is also aware of developments in certain jurisdictions²⁸ where national standards or regulations already require the auditor to communicate with oversight, regulatory and enforcement authorities in the circumstances described in paragraph 65.
67. In response to these developments and considering respondents support, the IAASB agreed to include in paragraph 40 of ED-570 a requirement to communicate with appropriate external parties when law, regulation or relevant ethical requirements require, or establish responsibilities permitting, the auditor to report to an appropriate authority outside the entity, and to seek stakeholder feedback whether such a requirement would be useful for those jurisdictions.

Transparency About Going Concern in the Auditor's Report

Background

68. Respondents to the DP provided various suggestions about what additional information is needed in the auditor's report to enhance transparency about the auditor's work and responsibility about going concern. Respondents cautioned against adding more boilerplate statements, length, and complexity to the auditor's report and supported that the IAASB should consider:
- Requiring more explicit statements regarding going concern in the auditor's report.

²⁸ For example, in the United Kingdom and in the European Union.

- Requiring disclosures in the auditor’s report about management’s going concern assessment that are less binary in nature, for example by providing more information in the auditor’s reports about when the entity’s going concern status is in the “no material uncertainty” stage.
 - Requiring the auditor to provide information about the nature, timing and extent of the auditor’s work or procedures on going concern in the auditor’s report, as well as the results and any significant findings.
 - Including more information in the Material Uncertainty Related to Going Concern section so as to align to the extent of communicating required for key audit matter(s) (KAM). Respondents commented that it could be perceived as disproportionate that the Material Uncertainty Related to Going Concern section provides less information relative to communicating KAM and may therefore be perceived by users as having less relative importance.
69. There also was consistency in the feedback provided by stakeholders through the information-gathering activities and the key findings from the PIR which indicated that the following aspects related to reporting on going concern matters were challenging:²⁹
- Lack of clarity with respect to KAM, Material Uncertainty Related to Going Concern and Emphasis of Matter (EOM) paragraphs in the auditor’s report. Respondents commented that the interaction between the requirements and guidance in various ISAs (e.g., ISA 701,³⁰ ISA 706 (Revised)³¹ and extant ISA 570 (Revised)), and the interrelationships and differences of the use of KAM, Material Uncertainty Related to Going Concern and EOM, is not always obvious and straightforward.³²
 - Communication about going concern in “close call” situations. Stakeholder feedback indicated that there is lack of clarity about these situations as well as about the related auditor reporting requirements in the standards.
70. The IAASB is also aware that certain jurisdictions³³ have already implemented changes to their national going concern standards to improve transparency about going concern in the auditor’s report, as well that other jurisdictions³⁴ are also exploring the need and options for additional disclosures in the auditor’s report that include matters related to going concern.

Overarching Considerations

71. In developing the proposed revisions to ED 570 to enhance transparency in the auditor’s report, the IAASB considered the following overarching principles:

²⁹ See [Agenda Item 3](#) that includes the feedback from the [Stakeholder Survey](#) and other information gathering activities in relation to the PIR presented to the IAASB at its February 2021 mid-quarter meeting and the Auditor Reporting PIR [Feedback Statement](#).

³⁰ ISA 701, *Communicating Key Audit Matters in the Independent Auditor’s Report*

³¹ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

³² In August 2022, the IAASB published a non-authoritative [Frequently Asked Questions](#) publication to address some of the common questions related to reporting going concern matters in the auditor’s report.

³³ For example, in the United Kingdom, the Financial Reporting Council (FRC) published a revised [International Standard on Auditing \(UK\) 570 Going Concern](#) in September 2019 and in the Netherlands the Board of the Royal Nederlandse Beroepsorganisatie van Accountants (NBA) approved amendments to the [Dutch auditing equivalent standard of ISA 700 \(Revised\)](#) that requires reporting on fraud and going concern in the auditor’s report.

³⁴ For example, in June 2021, the Independent Regulatory Board for Auditors (IRBA) published the consultation document [“Enhancing Disclosures in the Auditor’s Reports in South Africa: Addressing the Needs of Users of Financial Statements.”](#)

- Focus on enhancements that would be most *relevant* for users of audited financial statements, increasing transparency about going concern matters in a *concise* and *understandable* manner.
- Propose changes that would align with the requirements in the applicable financial reporting framework addressing management’s disclosures for going concern.
- Address the issues in a *proportionate* manner by considering the relative impact that the proposals may have on different users.
- Consider improvements that would promote global *comparability and consistency* across auditor’s reports about the auditor’s responsibilities and work related to going concern.

Overview of the IAASB Proposals When the Auditor’s Opinion is not Modified in Relation to Going Concern

72. The IAASB intends that all matters to be communicated in the auditor’s report regarding the auditor’s conclusions about, and work related to, going concern are addressed in ED-570, in a separate section in the auditor’s report for such communication. The separate section shall either have the heading “Going Concern” when paragraph 33 of ED-570 applies, or a heading “Material Uncertainty Related to Going Concern” when paragraphs 34–35 of ED-570 apply. Paragraph A1 of ED-570 clarifies that this standard (and not ISA 701) addresses the implications for the auditor’s report when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists. In addition, a proposed conforming and consequential amendment to paragraph 4 of ISA 701 clarifies that communicating KAM in the auditor’s report is not a substitute for reporting in accordance with ED-570. The relevant requirements are further highlighted in paragraphs 75-86, below.
73. In addition, the IAASB deliberated about the judgments relevant for *proportionality, comparability and consistency* reflected in its standard-setting proposals. The box below explains the IAASB rationale in this respect.

Proportionality

- ▶ The proposals outlined in the table in paragraph 74 below, reflect the IAASB views that it is in the public interest to enhance transparency in the auditor’s report about going concern in *all instances* (i.e., for audits of all entities). The IAASB believes the proposed approach is an appropriate response to stakeholder feedback given that going concern matters are relevant to audits of all entities, regardless of size or complexity. However, the IAASB considers that certain aspects of its proposals should apply only for audits of listed entities.
- ▶ In forming its view, the IAASB considered the rationale, as part of its project to revise the Auditor Reporting Standards, for establishing the applicability of ISA 701 and requiring the communication of KAM for audits of listed entities (or when required by law or regulation with voluntary application permitted for entities other than listed). The IAASB recognized at that time that the information needs of intended users of auditor’s reports of entities can differ, the distinction being between those intended users that have access to further information and insights about the auditor’s work beyond the financial statements and the auditor’s report, and those that do not. It was noted by the IAASB that intended users of listed entities

usually do not have direct access to auditor communications with management about their work, including for the issues that were identified and addressed in the course of the audit. For such users, there is a clear public interest benefit, equivalent as for requiring the communication of KAM, in providing more informational content about the auditor’s work and inclusion of additional commentary about going concern in the auditor’s report.

- ▶ For other entities, the IAASB believe that intended users of financial statements of entities other than listed entities may have access to this type of information through direct interaction with management and TCWG, thereby obviating the need for the additional commentary. For example, owner-managed entities have direct access to auditors and an understanding of their work. There may be circumstances where intended users of audited financial statements of entities other than listed entities may include lenders and other creditors that may not have access to information about the audit, beyond the financial statements and the auditor’s report. However, the IAASB are of the view that in such circumstances, akin to communicating KAM, the auditor would not be precluded from voluntarily including the additional commentary in their auditor’s report.

Comparability and Consistency

- ▶ The proposals outlined in the table in paragraph 74 below, reflect the IAASB views that any commentary related to going concern should be included in a separate section of the auditor’s report with either a heading on “Going Concern” (when no material uncertainty exists) or a heading, “Material Uncertainty Related to Going Concern” (when a material uncertainty exists). This would apply in all instances (i.e., for audits of all entities).
- ▶ The IAASB believes that alignment of the going concern commentary in the proposed sections appropriately reflects the public interest as it enables greater consistency across auditor’s reports and enhances auditor reporting comparability globally. The IAASB also believes that it is not in the public interest for users to have to navigate through the various sections of the auditor’s report in order to access relevant commentary about going concern matters as highlighted in paragraph 69.

74. The table below provides an overview of the key revisions proposed in ED-570 to enhance transparency about going concern in the auditor’s report when the auditor issues an unmodified opinion.

<i>Going Concern Basis of Accounting is Appropriate – Auditor’s Opinion is Not Modified in Relation to Going Concern</i>		
<i>Applicability</i>	Going Concern Section	Material Uncertainty Related to Going Concern Section
All Entities	<p>State that the auditor:</p> <ul style="list-style-type: none"> ▶ Concluded that management’s use of the going concern basis of accounting is appropriate. ▶ Based on the audit evidence obtained, has not identified a material uncertainty. <p>See paragraphs 75-78.</p>	<p>State that:</p> <ul style="list-style-type: none"> ▶ The auditor concluded that management’s use of the going concern basis of accounting is appropriate. ▶ A material uncertainty exists. ▶ The auditor’s opinion is not modified in respect of the matter. <p>Include:</p> <ul style="list-style-type: none"> ▶ A reference to the related disclosure(s) in the financial statements. <p>See paragraphs 84-86.</p>
Listed Entities	<p>In addition, if events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as going concern, but no material uncertainty exists, include:</p> <ul style="list-style-type: none"> ▶ A reference to the related disclosure(s) in the financial statements, if any. ▶ A description of how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern. <p>See paragraphs 79-83.</p>	<p>In addition, if events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as going concern and a material uncertainty exists, include:</p> <ul style="list-style-type: none"> ▶ A description of how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern. <p>See paragraphs 84-86.</p>

Explicit Statements About Going Concern in the Auditor’s Report

75. The inclusion of explicit statements about going concern in the auditor’s report was initially proposed by the [Invitation to Comment: Improving the Auditor’s Report](#) and included requiring auditors to provide in their auditor’s reports two statements, relating to the auditor’s responsibilities under extant ISA 570 (Revised), to:

- Evaluate whether sufficient appropriate audit evidence has been obtained, and conclude on,

the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and

- Based on the audit evidence obtained, conclude whether, in the auditor's judgment, a material uncertainty exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.

While in the course of the project to revise the Auditor Reporting Standards the proposed requirements had been subject to extensive consultation and deliberation by the IAASB, it was ultimately decided not to include them in extant ISA 570 (Revised).³⁵

76. However, feedback to the DP indicated that there were respondents who continue to support making explicit, in all auditor's reports, the auditor's responsibilities and work relating to going concern. The IAASB therefore believed there was merit to further explore providing explicit statements about going concern.
77. Consequently, the new requirement in paragraph 33(a) of ED-570 proposes to include two explicit statements (illustrated in the box). This requirement applies to audits of all entities (i.e., for audits of both listed and other than listed entities) whereby the auditor's conclusions about going concern are explicitly communicated in a separate section on Going Concern in the auditor's report.

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

** Extract from the auditor's report in Illustration 1 in the Appendix of ED-570.*

78. The IAASB believes that the proposed requirement:
- (a) Would offer transparency to users that the auditor has fulfilled their responsibilities in paragraphs 29-30 of ED-570 and paragraphs 17–18 of extant ISA 570 (Revised) that extend to all audits, for the auditor:
- To evaluate whether sufficient appropriate audit evidence has been obtained regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements.
 - Based on the audit evidence obtained, to conclude whether, in the auditor's judgment, a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- (b) Is consistent with the description provided in the Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report as required by ISA 700 (Revised). This requirement extends to all audits and includes a description of the auditor's responsibilities to conclude on:

³⁵ See the [Basis For Conclusions: Reporting On Audited Financial Statements – New and Revised Auditor Reporting Standards and Related Conforming Amendments](#).

- The appropriateness of management’s use of the going concern basis of accounting.
- Based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

Enhanced Communication in the Auditor’s Report When Events or Conditions Have Been Identified, But No Material Uncertainty Exists

79. Extant ISA 570 (Revised) did not include requirements in respect of the auditor’s report in circumstances when there are events or conditions that have been identified that may cast significant doubt on the entity’s ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.
80. The absence of auditor reporting requirements in extant ISA 570 (Revised) did not preclude an auditor from providing further transparency in the auditor’s report in a “close call” situation. In such a situation, communication in the auditor’s report is considered as follows:
- (a) ISA 701. The auditor may communicate a KAM provided that, in the auditor’s professional judgment, the matter was one of most significance in the audit of the financial statements of the current period and therefore determined to be a KAM. If so, the requirements of ISA 701 are followed. Paragraph A41 of ISA 701 notes in particular that the auditor may determine that one or more matters relating to the conclusion that no material uncertainty exists relating to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern are key audit matters.
 - (b) ISA 706 (Revised). When ISA 701 does not apply³⁶ or when ISA 701 applies but the auditor has determined that the matter is not a KAM, the auditor may include an EOM paragraph to draw attention to the going concern disclosures in the financial statements when, based on the auditor’s professional judgment, such disclosures are fundamental to the users’ understanding of the financial statements.
81. Paragraph 33(b) of ED-570 instead proposes a revised approach, for audits of listed entities, for the auditor to provide transparency about how they evaluated management’s assessment of the entity’s ability to continue as a going concern when events or conditions are identified that may cast significant doubt on the entity’s ability to continue as a going concern. This utilizes the separate Going Concern section in the auditor’s report, including drawing attention to the related disclosure(s), if any, in the financial statements (illustrated in the box). The IAASB is of the view that this new approach to enhance transparency in the auditor’s report will support *consistency* and *comparability* of auditor’s reports globally, whereby matters related to going concern would be consistently referred to in a single section of the auditor’s report. In addition, the proposed approach addresses respondents’ comments who requested further clarity and transparency for when the entity’s going concern status is in a “no material uncertainty” stage in light of the exacerbated challenges and issues related to various ongoing uncertainties in the broader business environment.

³⁶ ISA 701 does not apply to audits of financial statements of entities other than listed entities, unless required for such audits by law or regulation, or unless voluntarily applied by the auditor to such audits.

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

We draw attention to Note X in the financial statements, which describes the political and economic uncertainties faced by the Company and the range of mitigating actions that have been deployed to address the effects on the Company’s business activities.

[Description of how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised 202X).]

82. In forming its view about the applicability of the requirement, the IAASB believes that for intended users of audited financial statements of listed entities there is a clear public interest benefit in providing more informational content about the auditor’s work and inclusion of additional commentary about going concern in the auditor’s report. Accordingly, the IAASB has proposed for the requirement in paragraph 33(b) of ED-570 to apply to audits of listed entities. Paragraph A71 of ED-570 clarifies that law or regulation may require the auditor to provide the information required by paragraph 33(b) of ED-570 for an audit of financial statements of an entity other than a listed entity, or the auditor may decide to do so voluntarily.
83. To support the application of the new requirement in paragraph 33(b) of ED-570, the IAASB included new application guidance to:
- Explain when the auditor would expect disclosures in the financial statements about identified events or conditions that may cast significant doubt on the entity’s ability to continue as going concern. New application material was added in paragraph A62 of ED-570 to clarify that, in view of the requirements of the applicable financial reporting framework, “significant management judgment” is an appropriate threshold to apply when determining if disclosure(s) should be made about events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern.³⁷
 - Provide guidance on what to address in the description about how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern, factors that may affect the amount of detail to be provided, and taking care in using language that, amongst other considerations, relates the description directly to the specific circumstances of the entity and that does not contain or imply discrete opinions on separate elements of the financial statements (see paragraphs A73-A75 of ED-570).
 - Draw attention that it is appropriate for the auditor to seek to avoid providing original information about the entity in the auditor’s report when describing how the auditor evaluated management’s assessment about going concern (see paragraphs A76–A77 of ED-570). In doing so, the IAASB leveraged existing guidance in ISA 701. In addition, to alleviate the risk for the auditor providing original information about events or conditions that may cast significant

³⁷ In developing the application material the IAASB considered the agenda decision of the IFRS Interpretations Committee (see [IFRIC-Update-July-2014.pdf \(ifrs.org\)](#)) and the IFRS Foundation [education material](#) that clarify and address the going concern disclosure requirements in IAS 1.

doubt on the entity's ability to continue as a going concern that are not otherwise required to be disclosed by certain financial reporting frameworks, the IAASB focused the requirement on describing how the auditor evaluated management's assessment. In doing so, the requirement remains focused on providing a description of matters in the context of the audit.

Enhanced Informational Content for the Material Uncertainty Related to Going Concern Section in the Auditor's Report

84. As part of the IAASB's project to revise the Auditor Reporting Standards it was agreed that when a Material Uncertainty Related to Going Concern exists, the implications for the auditor's report are in accordance with extant ISA 570 (Revised) and in the KAM section of the auditor's report a statement is provided that the KAM are those in addition to the matter described in the Material Uncertainty Related to Going Concern section. The IAASB believes that this approach remains appropriate in the context of the ED-570.³⁸
85. The IAASB is also of the view that it is important to maintain the prominence of the Material Uncertainty Related to Going Concern section in the auditor's report because it would not be in the public interest to blur the line between commentary related to going concern when no material uncertainty exists, and when the auditor concluded that a material uncertainty related to going concern exists. Equally the IAASB believes it is important that the Material Uncertainty Related to Going Concern section continues to clearly state that a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern exists and not to undermine such disclosure (e.g., by excessively listing auditor's procedures which may inadvertently create a perception of a positive resolution of the matter).
86. Given the support from respondents to the DP to enhance the informational content for the Material Uncertainty Related to Going Concern section in the auditor's report, the IAASB believes it is appropriate to do so for audits of all entities. Accordingly, the IAASB proposed new requirements in paragraph 34 of ED-570, as follows (illustrated in the box):
 - *For all entities* – provide a statement that the auditor concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate and a material uncertainty exists. The auditor is also required to state that the auditor's opinion is not modified in respect of the matter. A reference is provided to the related disclosure(s) in the financial statements that adequately disclose the matter.
 - *For listed entities* – provide a description how the auditor evaluated management's assessment of going concern. Similar to the proposals discussed in paragraph 82, the IAASB believes that for intended users of audited financial statements of listed entities there is a clear public interest benefit in providing more informational content about the auditor's work and inclusion of additional commentary about going concern in the auditor's report.

³⁸ Paragraph 15 of ISA 701 and paragraph A1 of ED-570 continue to acknowledge that a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is by its nature a KAM, but is reported in accordance ED-570.

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we draw attention to Note X in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

[For listed entities only: Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 202X).]

Our opinion is not modified in respect of this matter.

** Extract from the auditor's report in Illustrations 3 and 4 in the Appendix of ED-570.*

Modifications to the Auditor's Report

87. As a result of the proposals to state (either in the Going Concern section or in the Material Uncertainty Related to Going Concern section of all auditor's reports) that the auditor has concluded that management's use of the going concern basis of accounting is appropriate, the requirement in paragraph 35 of ED-570 when the auditor expresses a qualified or adverse opinion due to inadequate disclosure about a material uncertainty was aligned (illustrated in the box).

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, as described in the *Basis for Qualified (Adverse) Opinion* section of our report, a material uncertainty exists that has not been adequately disclosed in the financial statements.

** Extract from the auditor's report in Illustrations 5 and 6 in the Appendix of ED-570.*

88. The IAASB also considered whether any revisions are necessary for when the auditor disclaims an opinion. In the case of a disclaimer of opinion, paragraph 29 of ISA 705 (Revised)³⁹ prohibits the inclusion of a section on KAM in accordance with ISA 701 or a section on Other Information in accordance with ISA 720 (Revised),⁴⁰ unless required by law or regulation. During the IAASB's project to revise the Auditor Reporting Standards, the IAASB agreed that such prohibition is appropriate because any discussion of KAM unrelated to the disclaimer of opinion may suggest that the financial statements are more credible in relation to those matters than would be appropriate in the circumstances and would overshadow the disclaimer of an opinion on the financial statements as a whole.
89. The IAASB is of the view that a similar approach should be taken in ED-570, whereby when a disclaimer of opinion is provided, the auditor shall not provide further information about Going

³⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

⁴⁰ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Concern or a Material Uncertainty Related to Going Concern in a separate section of the auditor's report (see paragraph 36 of ED-570).

90. However, as a consequence of the proposals to provide explicit statements in the auditor's report about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists, the IAASB has proposed a conforming amendment to paragraph 19 of ISA 705 (Revised) (see paragraph 96 below and also illustrated in the box), that includes providing a statement in the Basis for Disclaimer of Opinion that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists.

Basis for Disclaimer of Opinion

...

We are unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the consolidated financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

** Refer to the Conforming and Consequential Amendments arising from ED-570; extract from the auditor's report in Illustrations 4 and 5 of ISA 705 (Revised).*

91. New application material was included in paragraph A83 of ED-570 that explains it is not appropriate to include a separate section on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report when a disclaimer of opinion is provided because in such circumstances the auditor would not be able to obtain sufficient appropriate audit evidence to support its conclusion. In addition, the application material draws attention to the consequential amendment to paragraph 19 of ISA 705 (Revised).

Illustrative Auditor's Reports

92. The IAASB updated and developed new illustrative auditor's reports in the Appendix of ED-570 to demonstrate the statements and descriptions that are required to be included in the auditor's report for both listed entities and other than listed entities, when the IFRS Accounting Standards is the applicable financial reporting framework.
93. In updating the illustrations, the IAASB's aimed to word the sections on Going Concern and Material Uncertainty Related to Going Concern as directly and plainly as possible. In addition, the IAASB kept the explicit statements about going concern together, given the need for consistency across the illustrations presented in the Appendix of ED-570.

Section 2-J – Conforming and Consequential Amendments

94. The IAASB is proposing a number of conforming and consequential amendments arising from ED-570. The proposed changes have been presented in marked text to the relevant paragraphs of the various standards. Only the paragraphs that are being proposed to be amended, or that are needed to provide context for the proposed amendments, are provided.

95. In many cases, the changes relate to aligning the terminology and wording with ED-570 or to appropriately reference the title of the revised standard. Conforming amendments were also made to the illustrative auditor's reports included in the appendices for ISA 510,⁴¹ and ISAs of the 700 and 800 series.

Relationship with ISAs of the 700 Series

96. More substantive consequential amendments were proposed to clarify the relationship between ED-570 and ISA 700 (Revised), ISA 701, ISA 705 (Revised) and ISA 706 (Revised). The IAASB considered this necessary so as not to cause confusion about which standard's requirements are applicable when reporting matters related to going concern. This included:
- Removing the phrase "where applicable" in paragraphs 29 and 50(f) of ISA 700 (Revised), because the auditor's report would include a separate section reporting going concern matters, unless the auditor disclaims an opinion in accordance with ISA 705 (Revised) or when the going concern basis of accounting is inappropriate.
 - Clarifying the relationship between ISA 701 and ED-570, in view of the proposals that when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor of a listed entity would be required to report going concern matters in the Going Concern section of the auditor's report instead of communicating KAM. As a result, amendments have been proposed to paragraphs 4(c) and A41 of ISA 701.
 - Adding in paragraph 29 of ISA 705 (Revised) the prohibition to report a Going Concern section or a Material Uncertainty Related to Going Concern section in accordance with ED-570 when the auditor disclaims an opinion (see paragraph 90 above). Amendments were also proposed to paragraph A26 of ISA 705 (Revised) to address this prohibition. In addition, adding in paragraph 19 and illustrations 4-5 of the Appendix to ISA 705 (Revised) a statement that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists.
 - Clarifying the relationship with ISA 706 (Revised) given the proposed revisions to ED-570 to report matters related to going concern, either in a Going Concern section or a Material Uncertainty Related to Going Concern section of the auditor's report. Amendments were also proposed to clarify the placement of an EOM paragraph.

Auditor's Responsibilities for the Audit of Financial Statements Section of the Auditor's Report

97. The IAASB considered whether any consequential amendments are necessary for 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). This included consideration as to whether it is appropriate to acknowledge in this section of the auditor's report that for a listed entity, ED-570 also requires to provide a description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.
98. Upon deliberation, the IAASB formed the view that a consequential amendment is not necessary in this regard because this section of the auditor's report does not need to state every aspect addressed by the requirements of the ISAs. In addition, the Auditor's Responsibilities for the Audit of Financial

⁴¹ ISA 510, *Initial Audit Engagements—Opening Balances*

Statements section of the auditor’s report remains appropriately aligned with the auditor’s obligations stated in the objectives in paragraph 9 of ED-570 and does not give rise to inconsistencies with the revisions being proposed.

Review Engagements

99. A review of financial statements also includes consideration of the entity’s ability to continue as a going concern. However, because ISRE 2410⁴² is still in a pre-clarity format, the IAASB has not pursued conforming and consequential amendments for this standard so as not to give a perception that the standard is up to date. Equally, ISRE 2410 has not been updated for conforming and consequential amendments in relation to other recent projects of the IAASB (e.g., the quality management projects) and a revision of the standard is already being contemplated in the IAASB Strategy and Work Plan for 2024–2027.⁴³
100. Further, the IAASB has not pursued further conforming and consequential amendments to ISRE 2400 (Revised)⁴⁴ given that:
- The revisions to ED-570 are being developed in view of stakeholder feedback to the DP relevant to the auditor’s work and responsibility about going concern in an audit of financial statements. The IAASB is of the view that it would be necessary to undertake further information gathering to determine whether those revisions are appropriate to the scope of a limited assurance engagement.
 - The necessary revisions would likely be out of the scope of conforming and consequential amendments, and beyond the targeted nature of the actions outlined in the project proposal because they involve broader matters⁴⁵ that can be only addressed by a holistic revision of the standard.
101. The IAASB also highlights that the proposed definition of Material Uncertainty (Related to Going Concern) only applies to the ISAs. The proposed definition would however become part of the IAASB Glossary of Terms,⁴⁶ subject to public exposure and approval of the final pronouncement by the IAASB. The IAASB believes that the lack of definition addressing Material Uncertainty (Related to Going Concern) in ISRE 2400 (Revised) would not impact the practitioner’s work under the standard because the term “material uncertainty” is not addressed in the requirements of this standard.

⁴² International Standard on Review Engagements (ISRE 2410), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

⁴³ See the [Consultation Paper](#) on the IAASB’s Strategy and Work Plan for 2024–2027.

⁴⁴ ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

⁴⁵ As part of its project to revise the Auditor Reporting Standards, the IAASB determined not to amend the auditor’s reports for review and other assurance engagements. Consequently, the new elements introduced to the auditor’s report are not reflected in the practitioner’s report, such as enhanced sections that discuss the auditor’s responsibilities and the responsibilities of management and TCWG in relation to going concern.

⁴⁶ The IAASB Glossary of Terms is a non-authoritative document and is updated by IAASB Staff to include all defined and other terms in IAASB Standards in connection with the finalization of the IAASB Handbook.

Section 2-K – Other Matters

Audit Techniques – Use of Technology

102. In developing ED-570, the IAASB remained mindful of the need to modernize the standard, so it remains *relevant* to changes in technology and current practice. In developing the revisions, the IAASB considered the impacts of evolving technologies on the auditor's work related to going concern and enhanced the application material to incorporate examples of automated tools and techniques. This included adding:

- Cyber security risks in the examples of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (see paragraph A6 of ED-570).
- Examples to support the auditor's use of technology in the risk assessment procedures and related activities (see paragraph A12 of ED-570).
- New application material to support the auditor's use of technology when evaluating the method, assumptions and data used by management in making its assessment of going concern (see paragraphs A36 and A38 of ED-570).

Leveraging Information from Sources External to the Entity

103. Respondents to the DP emphasized the importance for considering information from sources external to the entity when evaluating whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. Stakeholders also recognized the importance to the auditor of considering information from sources external to the entity when evaluating management's plan for future actions, especially to support or refute, the internal information used in management's plan.

104. The IAASB made enhancements to several paragraphs in the application material to emphasize how information from sources external to the entity can be leveraged in the auditor's work related to going concern (see paragraphs A16, A25 and A47–A54 of ED-570).

Information Subsequent to Management's Assessment

105. Given recent developments in the broader business environment that have caused heightened risks and ongoing uncertainties, the IAASB discussed that it is *relevant* for ED-570 to robustly address the impacts of events or conditions that may cast significant doubt to the entity's ability to continue as a going concern subsequent to the period of management's assessment.

106. The IAASB retained the requirement in paragraph 20 of ED-570, previously paragraph 15 of extant ISA 570 (Revised), for the auditor to inquire of management as to its knowledge of events or conditions beyond the period of management's assessment. In addition, a new requirement is included in paragraph 28 of ED-570 for the auditor to consider whether any additional information has become available after the date of the auditor's report but before the financial statements are issued that is related to management's assessment of going concern. In such circumstances the auditor is required to perform procedures in accordance with ISA 560. This new requirement in ED-570 is intended to work with and apply in the context of the requirements in ISA 560 relating to facts which become known to the auditor after the date of the auditor's report but before the financial statements are issued.

Scalability Considerations

107. The IAASB believes that it is important to address *scalability* considerations in ED-570 given that going concern matters are relevant to audits of all entities, regardless of size or complexity. This approach supports the *comprehensiveness* of the standard by limiting the exceptions from the principles that apply and demonstrates how a requirement applies to all entities regardless of whether their nature and circumstances are less complex or more complex.
108. Consistent with the approach taken in both ISA 315 (Revised 2019) and ISA 540 (Revised) in relation to *scalability*, the IAASB included in ED-570 examples to demonstrate how the nature and extent of the auditor's going concern related audit procedures may vary based on the nature and circumstances of the entity and depending on the method, assumptions and data used by management to assess the entity's ability to continue as a going concern (see paragraphs A13, A31 and A38 of ED-570).
109. Certain of the considerations specific for smaller entities of extant ISA 570 (Revised) were retained and repurposed within the scalability examples, as the IAASB believed they remained relevant and highlighted aspects important for smaller or less complex entities (see paragraphs A14 and A54 of ED-570).

Considerations Specific to Public Sector Entities

110. The IAASB remained cognizant of the fact that management's use of the going concern basis of accounting is also relevant to public sector entities. In considering the enhancements for the public sector perspectives in ED-570, the IAASB believes it is appropriate to add new application material in paragraph A66 of ED-570 to recognize that there may be additional disclosure requirements for public sector entities that may be relevant, such as disclosures related to long-term fiscal sustainability matters.

Effective Date

111. Given that extant ISA 570 (Revised) was last revised as part of the project to revise the Auditor Reporting Standards, the convention applied then for the effective date paragraph of the standard was aligned with that commonly used for the ISAs of the 700 series (i.e., "periods ending on or after [month, day, year]"). However, as the requirements of the standard apply from the planning and performing stages of the audit, the IAASB supported the convention commonly used for other ISAs in the 500 series (i.e., "period beginning on or after [month, day, year]").
112. The IAASB anticipates that the final pronouncement will be approved in December 2024. Recognizing the need to coordinate effective dates with the fraud project that is also considering actions that may result in changes to the auditor's report, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after approval of the final pronouncement. The IAASB is of the view that this timeframe is adequate to allow jurisdictions sufficient time for translation of the final text of the standard, for national adoption processes to occur, and for practitioners to update templates and associated internal materials.

Section 3 Request for Comments

Respondents are asked to comment on the clarity, understandability, and practicality of application of the requirements and related application material of ED-570, including, as appropriate, any concerns in this regard or suggestions for improvement.

Recognizing that the IAASB utilizes software to support our analysis of comments received from respondents to public consultations, you can assist our review of the comments by bearing the following in mind in preparing your comment letter:

- Respond directly to the questions below and provide the rationale for your answers.
- We appreciate all your feedback, and respondents may respond to all questions or only those questions where they have specific comments. However, when a respondent agrees with proposals in ED-570, it will be helpful for the IAASB to be made aware of this view.
- You do not need to include a covering letter that provides a summary of your key issues – it is best to keep your comments together with each question.
- Use headings that clearly identify each question you are responding to. When formulating your comments to a question, it is most helpful to identify the specific aspects of ED-570 that your response relates to, for example, by reference to sections or headings or paragraphs in the proposed standard.
- When possible, avoid using tables or text boxes when presenting responses to questions.

Overall Questions

1. Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in **Appendix 1**?
2. Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?
3. Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?
4. Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern?

Specific Questions

5. Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase "may cast significant doubt"?
6. Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?

7. Do you support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?
8. Do you support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern?
9. Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?
10. Do you support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support?
11. Will the enhanced requirements and application material to communicate with TCWG encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern?
12. Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?
13. This question relates to the implications for the auditor's report **for audits of financial statements of all entities**, i.e., to communicate in a separate section in the auditor's report, under the heading "Going Concern" or "Material Uncertainty Related to Going Concern", explicit statements about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether a material uncertainty has been identified.

Do you support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable greater consistency and comparability across auditor's reports globally?

14. This question relates to the additional implications for the auditor's report **for audits of financial statements of listed entities**, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).

Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?

15. Is it clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with ED-570 and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.
16. Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

Request for General Comments

17. The IAASB is also seeking comments on the matters set out below:
 - (a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-570.
 - (b) Effective Date—Given the need for national due process and translation, as applicable, and the need to coordinate effective dates with the fraud project, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

Appendix 1 – Mapping the Key Changes Proposed in ED-570 to the Actions and Objectives in the Project Proposal that Support the Public Interest

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
<p>A. Project Objective: Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern.</p> <p>B. Project Objective: Strengthen the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism.</p>			
<p>AB.1: Requirements and Application Material – Risk Identification and Assessment</p> <p><i>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 and conditions that may cast significant doubt on the entity’s ability to continue as a going concern.</i></p> <p>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).</p>	Paras. 11–15	<p><i>Requirements</i></p> <p>Enhanced and new requirements to:</p> <ul style="list-style-type: none"> • Enable a more robust approach for performing risk assessment procedures that will provide audit evidence to support an appropriate basis for the timely identification by the auditor of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. • Perform risk assessment procedures related to going concern matters to obtain an understanding about the entity and its environment, the applicable financial reporting framework and the entity’s system of internal control by building on the foundational requirements in ISA 315 (Revised 2019). 	<ul style="list-style-type: none"> • <i>Scalability</i> • <i>Relevance</i> • <i>Implementability, and ability of being consistently applied and globally operable</i> • <i>Coherence</i>

⁴⁷ The qualitative standard-setting characteristics listed are those that were at the forefront, or of most relevance, when determining how to address each proposed action.

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
	Paras. A6–A28	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> • Address scalability. In particular, to provide examples that demonstrate where the nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity. • Provide more current examples of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. • Strengthen the link to ISA 240 where the identified events and conditions that may cast significant doubt on the entity's ability to continue as a going concern may also be indicative of fraud risk factors. • Provide guidance and examples in respect of the auditor's application of ISA 315 (Revised 2019) through a "going concern lens." 	
<p>AB.2: Requirements or Application Material – Timeline for Assessment</p> <p><i>Consider enhancing the requirements or application material to:</i></p> <ul style="list-style-type: none"> • <i>Extend the timeline for the assessment period to at least twelve months from the date of approval of the financial statements, or the date the</i> 	Paras. 20–23; 28	<p><i>Requirements</i></p> <ul style="list-style-type: none"> • Change in the commencement date of the twelve-month period of management's assessment, which is used as the basis for the auditor's evaluation, from the date of the financial statements to the date of approval of the financial statements. 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Clarity and conciseness</i> • <i>Implementability, and ability of being consistently applied and globally operable</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
<p><i>auditor's report is signed.</i></p> <ul style="list-style-type: none"> <i>Evaluate the reasonableness of management's assessment period based on conditions specific to the entity's facts and circumstances, including subsequent events.</i> <p>In doing so, consider applicable financial reporting framework requirements that address the timeline for assessment.</p>		<ul style="list-style-type: none"> Enhanced requirements and stronger links to ISA 560 by requiring the auditor to consider information that becomes available after the date of the auditor's report but before the financial statements are issued. Strengthened requirements when management is unwilling to make or extend its assessment. 	
	Paras. A39–A45; A55	<p><i>Application Material</i></p> <ul style="list-style-type: none"> New application material to explain that management and TCWG may provide the auditor additional information to support the appropriateness of the period used by management in its assessment or about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. New application material in support of the proposed and strengthened requirements, including emphasis when the auditor may consider requesting management to extend its assessment period beyond twelve months from the date of approval of the financial statements. Enhanced linkages to the requirements in ISA 560 when facts become known to the auditor after the date of the auditor's 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
		report but before the date the financial statements are issued.	
AB.3: Requirements or Application Material – Information from Sources External to the Entity <ul style="list-style-type: none"> Enhance application material to emphasize consideration of information from sources external to the entity (e.g., media releases, industry outlooks) when evaluating whether events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern. Enhance requirements or application material to clarify the considerations, including the intent and ability, related to when written evidence to provide financial support is obtained from a third-party, and for whether and in what circumstances this constitutes sufficient appropriate audit evidence. 	Para. 26–27	<i>Requirements</i> <ul style="list-style-type: none"> New requirement for the auditor to evaluate the intent and ability of a third or related party, including the entity’s owner-manager, when financial support by such parties is necessary to support management’s assessment of going concern. 	<ul style="list-style-type: none"> Scalability Relevance
	Paras. A16; A25; A47–A54	<i>Application Material</i> New application material to: <ul style="list-style-type: none"> Provide guidance for the auditor’s consideration of requesting a written confirmation from third or related parties, including the entity’s owner-manager, and for the terms and conditions of borrowing facilities, including scalability considerations. Provide guidance when finance providers are reluctant to confirm to an entity or the auditor that borrowing facilities will be renewed. Emphasize how information from sources external to the entity can be leveraged in the auditor’s work related to going concern. 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
<p>AB.4: Definitions and Application Material – “Material Uncertainty Related to Going Concern” and Other Terminology in ISA 570 (Revised)</p> <p><i>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.</i></p> <p>In doing so, consider:</p> <ul style="list-style-type: none"> • 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. 	<p>Para. 10</p> <p>Paras. A4–A5</p>	<p><i>Definitions</i></p> <ul style="list-style-type: none"> • A newly defined term – “Material Uncertainty (Related to Going Concern).” <p><i>Application material</i></p> <ul style="list-style-type: none"> • Repurposing previous application material and developing new application material to clarify the phrase “may cast significant doubt.” 	<ul style="list-style-type: none"> • <i>Clarity and conciseness</i> • <i>Implementability, and ability of being consistently applied and globally operable</i>
<p>AB.5: Application Material – Technology</p> <p><i>Enhance application material in ISA 570 (Revised) to reflect the auditor’s use of technology to perform the auditor’s work related to going concern.</i></p> <p>In doing so, remaining mindful of maintaining a balance of not ‘dating’ the standard by referring to technologies that may change and evolve, including consulting with a technology expert(s) or the Technology Consultation Group, as needed.</p>	<p>Paras. A6; A12; A36; A38</p>	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • Enhanced and new application material to incorporate examples of automated tools and techniques and emphasize the impact of technology on the auditor’s work related to going concern. 	<ul style="list-style-type: none"> • <i>Relevance</i>
<p>AB.6: Requirements and Application Material – Management’s Assessment of Going Concern</p> <p><i>Enhance requirements and application material to</i></p>	<p>Paras. 16–17; 19; 24–25</p>	<p><i>Requirements</i></p> <p>Enhanced and new requirements to:</p> <ul style="list-style-type: none"> • Perform audit procedures to evaluate 	<ul style="list-style-type: none"> • <i>Scalability</i> • <i>Clarity and conciseness</i> • <i>Implementability, and ability</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
<p><i>strengthen the auditor's evaluation of management's assessment of going concern.</i></p> <p>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.</p>		<p>management's assessment of going concern, irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern.</p> <ul style="list-style-type: none"> • Perform audit procedures to evaluate the method, assumptions and data used by management to make its assessment of going concern by leveraging concepts in ISA 540 (Revised). • New requirement to explicitly request management to update its assessment and for the auditor to perform audit procedures, when necessary, on such revised assessment when the auditor identifies events or conditions that may cast doubt on the entity's ability to continue as a going concern that management has not previously identified or disclosed to the auditor. 	<p>of being <i>consistently applied and globally operable</i></p> <ul style="list-style-type: none"> • <i>Coherence</i>
	<p>Paras. A29–A31; A33–A38; A46</p>	<p><i>Application Material</i></p> <p>New application material to:</p> <ul style="list-style-type: none"> • Address scalability. In particular, to provide examples that demonstrate how the auditor's procedures may vary depending on the method, assumptions and data used by management to assess the entity's ability to continue as a going concern. • More robustly challenge the method, 	

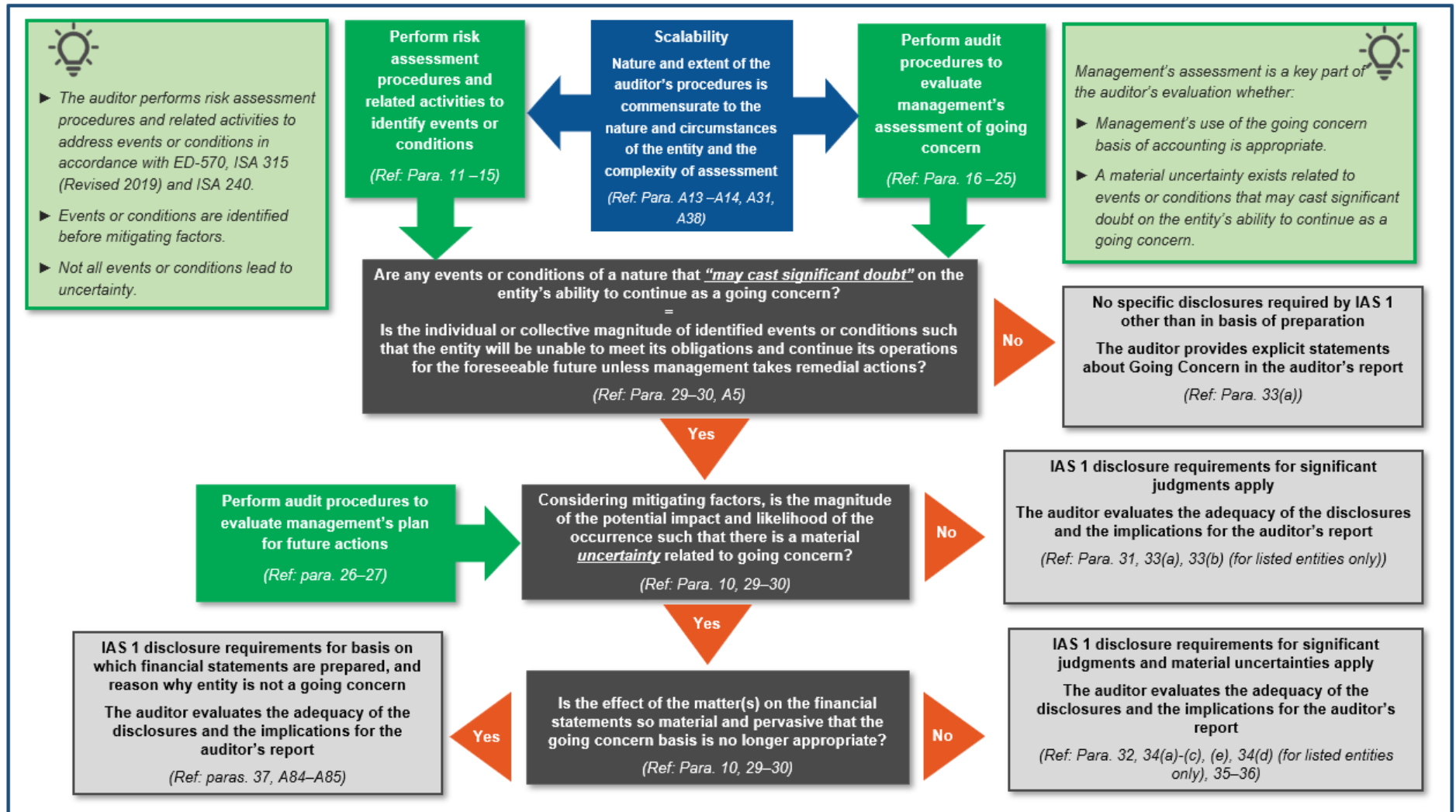
Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
		assumptions and data used by management to make its assessment of going concern, including to consider the risk of management bias.	
<p>AB.7: Requirements and Application Material – Professional Skepticism</p> <p><i>Emphasize the robust exercise of professional skepticism when performing procedures related to going concern, through:</i></p> <ul style="list-style-type: none"> • <i>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.</i> • <i>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.</i> • <i>Using action-oriented language in the revised standard.</i> <p>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)).</p>	Paras. 17; 29	<p><i>Requirements</i></p> <ul style="list-style-type: none"> • New requirement to emphasize the importance of professional skepticism when evaluating management’s assessment in a manner that is not biased towards obtaining audit evidence that may be corroborative or excluding audit evidence that may be contradictory. • New requirement to 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. 	<ul style="list-style-type: none"> • <i>Relevance</i> • <i>Coherence</i>
	Paras. A10; A32; A56–A60	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • Enhanced link to the requirement in ISA 315 (Revised 2019) for the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. • New application material to emphasize the 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
		relevance of identifying indicators of possible management’s bias and the impact to the audit.	
C. Project Objective: Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements.			
C.8: Requirements and Application Material – Communication with TCWG <i>Enhance the requirements and application material to strengthen required communications with TCWG, including encouraging more appropriate two-way communication, addressing the timeliness of the communications, and emphasising the ongoing nature of communications with TCWG.</i>	Paras. 12(f); 39	<i>Requirements</i> <ul style="list-style-type: none"> Strengthened communication requirements with TCWG to enhance transparency and timely, two-way communication throughout the audit when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern. New requirement to obtain an understanding, as part of the risk assessment procedures and related activities, how TCWG exercise oversight over management’s assessment of going concern. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>
	Paras. A19–A20; A87–A89	<i>Application Material</i> <ul style="list-style-type: none"> New application material in support of the proposed requirements and added emphasis for circumstances when it may be appropriate to consider whether a significant deficiency in internal control related to going concern should be communicated to TCWG. 	

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
<p>C.9: Requirements and Application Material – Communication with Appropriate External Parties</p> <p><i>Enhance the requirements and application material in ISA 570 (Revised) with respect to the auditor’s communications with external parties, including with relevant regulatory authorities (as applicable), when issues are identified relating to going concern, including instances when no further action is taken by management or TCWG.</i></p> <p>In doing so, monitor any implementation feedback for extended communication requirements made in certain jurisdictions and consider if similar changes on a global level would be useful.</p>	Para. 40	<p><i>Requirements</i></p> <ul style="list-style-type: none"> New requirement for the auditor to consider whether law or regulation require or establish responsibilities under which reporting is required to an appropriate authority for circumstances when a Material Uncertainty Related to Going Concern is included in the auditor’s report or a modified opinion is issued. 	<ul style="list-style-type: none"> <i>Relevance</i> <i>Clarity and conciseness</i>
	Paras. A90–A93	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Examples and factors for the auditor to consider when reporting to an appropriate authority. 	
<p>C.10: Requirements and Application Material – Transparency About Going Concern in the Auditor’s Report</p> <p><i>Enhance the requirements and application material in ISA 570 (Revised), where appropriate, to increase transparency in the auditor’s report about the auditor’s responsibilities and work related to going concern.</i></p> <p>This includes considering enhancing auditor reporting for situations where:</p> <ul style="list-style-type: none"> The auditor concludes that no material uncertainty exists, and management’s use of the going concern assumption is appropriate. Significant judgment was required to conclude 	Paras. 33–37	<p><i>Requirements</i></p> <p>New requirements to:</p> <ul style="list-style-type: none"> Provide explicit statements about going concern in a separate section of the auditor’s report when the basis of accounting is appropriate, and no material uncertainty exists. When events or conditions have been identified that may cast doubt on the entity’s ability to continue as a going concern or when a Material Uncertainty Related to Going Concern section is provided, describing in the auditor’s report of a listed entity how the auditor evaluated 	<ul style="list-style-type: none"> <i>Proportionality</i> <i>Relevance</i> <i>Clarity and conciseness</i> <i>Implementability</i>, and ability of being <i>consistently applied and globally operable</i>

Proposed Actions in the <u>Project Proposal</u> (Ref. Section VI, paragraph 35)	Key Changes Proposed in ED-570		Qualitative Standard-Setting Characteristics Considered ⁴⁷
	Paragraph	Description	
<p>that no material uncertainty related to going concern exists, after having identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (i.e., "close call" situations).</p> <ul style="list-style-type: none"> A "Material Uncertainty Related to Going Concern" paragraph is required (i.e., to expand the informational content of such paragraph to describe how the auditor addressed this matter in the audit). 		management's assessment of going concern.	
	Paras. A62; A67–85	<p><i>Application Material</i></p> <ul style="list-style-type: none"> New application material, leveraging on ISA 701, to support consistent application of the proposed auditor reporting requirements. New application material to clarify when the auditor would expect disclosures and factors to consider regarding the amount of detail to be provided in the auditor's report to describe how the auditor evaluated management's assessment. 	

Appendix 2 – Walkthrough of the Auditor’s Decision-Making Process Whether a Material Uncertainty Exists



**PROPOSED INTERNATIONAL STANDARD ON AUDITING 570
(REVISED 202X)**

GOING CONCERN

(Effective for audits of financial statements for periods
beginning on or after [DATE])

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Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report. Although this ISA applies irrespective of the entity's size or complexity, particular considerations apply only for audits of financial statements of listed entities. (Ref: Para. A1)

Going Concern Basis of Accounting

2. Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions). When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to realize its assets and discharge its liabilities in the normal course of business. (Ref: Para. A2)

Responsibility for Assessment of the Entity's Ability to Continue as a Going Concern

3. Some financial reporting frameworks contain an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern, and standards regarding matters to be considered and disclosures to be made in connection with going concern. For example, International Accounting Standard (IAS) 1 requires management to make an assessment of an entity's ability to continue as a going concern.¹ The detailed requirements regarding management's responsibility to assess the entity's ability to continue as a going concern and related financial statement disclosures may also be set out in law or regulation. (Ref: Para. A3)
4. In other financial reporting frameworks, there may be no explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern. Nevertheless, where the going concern basis of accounting is a fundamental principle in the preparation of financial statements as discussed in paragraph 2, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.
5. Management's assessment of the entity's ability to continue as a going concern involves making a judgment, at a particular point in time, about inherently uncertain future outcomes of events or conditions. The following factors are relevant to that judgment:
 - The degree of uncertainty associated with the outcome of an event or condition increases significantly the further into the future an event or condition or the outcome occurs. For that reason, most financial reporting frameworks that require an explicit management assessment specify the minimum period for which management is required to take into account all available information.

¹ IAS 1, *Presentation of Financial Statements*, paragraphs 25–26

- The size and complexity of the entity, the nature and condition of its business and the degree to which it is affected by external factors affect the judgment regarding the outcome of events or conditions.
- Any judgment about the future is based on information available at the time at which the judgment is made. Subsequent events may result in outcomes that are inconsistent with judgments that were reasonable at the time they were made.

Responsibilities of the Auditor

6. The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. These responsibilities exist even if the financial reporting framework used in the preparation of the financial statements does not include an explicit requirement for management to make a specific assessment of the entity's ability to continue as a going concern.
7. However, as described in ISA 200,² the potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern. The auditor cannot predict such future events or conditions. Accordingly, the absence of a reference to an identified material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern.

Effective Date

8. This ISA is effective for audits of financial statements for periods beginning on or after [DATE].

Objectives

9. The objectives of the auditor are:
 - (a) To obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements;
 - (b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and
 - (c) To report in accordance with this ISA.

Definition

10. For purposes of the ISAs, the following term has the meaning attributed below:

² ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraphs A53–A54

Material Uncertainty (Related to Going Concern)—An 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 where the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor’s professional judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (Ref: Para. A4–A5)

- (a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or
- (b) In the case of a compliance framework, the financial statements not to be misleading.

Requirements

Risk Assessment Procedures and Related Activities

11. In applying ISA 315 (Revised 2019),³ the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. (Ref: Para. A6–A14)

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

12. In applying ISA 315 (Revised 2019),⁴ the auditor shall perform risk assessment procedures to obtain an understanding of: (Ref: Para. A8–A14)

The Entity and Its Environment

- (a) The entity’s business model, objectives, strategies and related business risks relevant to identifying events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. (Ref: Para. A15)
- (b) Industry conditions, including the competitive environment, technological developments, and other external factors affecting the entity’s financing.
- (c) The measures used, internally and externally, to assess the entity’s financial performance, including forecasts, future cash flows, and management’s budgeting processes. (Ref: Para. A16)

The Applicable Financial Reporting Framework

- (d) The requirements of the applicable financial reporting framework relating to going concern, and the related disclosures that are required to be included in the entity’s financial statements. (Ref: Para. A17)
- (e) The basis for management’s intended use of the going concern basis of accounting. (Ref: Para. A18)

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraphs 13-14

⁴ ISA 315 (Revised 2019), paragraphs 19-27

The Entity's System of Internal Control

- (f) Unless all of those charged with governance are involved in managing the entity,⁵ how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A19–A20)
- (g) The entity's risk assessment 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.
- (h) How management identifies the relevant method, assumptions and data that are appropriate in assessing the entity's ability to continue as a going concern. (Ref: Para. A21)
- (i) How the entity's financial reporting process addresses disclosures related to the entity's ability to continue as a going concern. (Ref: Para. A22).

Remaining Alert Throughout the Audit for Information about Events or Conditions

- 13. The auditor shall remain alert throughout the audit for information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A23–A25)

Events or Conditions not Previously Identified or Disclosed by Management

- 14. In applying ISA 315 (Revised 2019),⁶ the auditor shall determine whether the audit evidence obtained from risk assessment procedures and related activities indicates the existence of 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. (Ref: Para: A26–A27)

Control Deficiencies Within the Entity's System of Internal Control

- 15. In applying ISA 315 (Revised 2019),⁷ based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies in respect of management's assessment of going concern have been identified. (Ref: Para. A28)

Evaluating Management's Assessment

- 16. Where management has not yet performed an assessment of the entity's ability to continue as a going concern, the auditor shall request management to make its assessment.
- 17. The auditor shall design and perform audit procedures to evaluate management's assessment of the entity's ability to continue as a going concern. (Ref: Para. A29–A31)
- 18. In designing and performing the audit procedures required by paragraph 17, the auditor shall do so in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. (Ref: Para. A32)

⁵ ISA 260 (Revised), *Communication with Those Charged with Governance*, paragraph 13

⁶ ISA 315 (Revised 2019), paragraph 35

⁷ ISA 315 (Revised 2019), paragraph 27

Method, Assumptions and Data Used in Management’s Assessment

19. The audit procedures required by paragraph 17 shall include evaluating: (Ref: Para. A30, A33, A38)
- (a) The method used by management to assess the entity’s ability to continue as a going concern, including whether the:
 - (i) Method selected is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from the method used in prior periods are appropriate; and (Ref: Para. A34)
 - (ii) Calculations are applied in accordance with the method and are mathematically accurate. (Ref: Para. A35)
 - (b) Whether the assumptions on which management’s assessment is based are: (Ref: Para. A36).
 - (i) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate; and
 - (ii) Consistent with each other and with related assumptions used in other areas of the entity’s business activities, based on the auditor’s knowledge obtained in the audit.
 - (c) Whether the data is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate. (Ref: Para. A37)

Period Beyond Management’s Assessment

20. The auditor shall inquire of management as to its knowledge of events or conditions beyond the period of management’s assessment that may cast significant doubt on the entity’s ability to continue as a going concern. (Ref: Para. A39–A41)

Requesting Management to Extend Its Assessment

21. If management’s assessment of the entity’s ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements as defined in ISA 560,⁸ the auditor shall request management to extend its assessment period to at least twelve months from that date. (Ref: Para. A42)

Management Unwilling to Make or Extend its Assessment

22. If management is unwilling to make or extend its assessment when requested to do so by the auditor, the auditor shall discuss the matter with management and, where appropriate, those charged with governance. (Ref: Para. A43–A44)
23. In circumstances where the auditor believes it is necessary for management to make or extend its assessment and management is unwilling to do so, the auditor shall determine the implications for the audit. (Ref: Para. A45)

Information Used in Management’s Assessment

24. In evaluating management’s assessment of the entity’s ability to continue as a going concern, the auditor shall consider whether management’s assessment includes all relevant information of which

⁸ ISA 560, *Subsequent Events*, paragraph 5(b)

the auditor is aware as a result of the audit.

25. If the auditor identifies 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 auditor shall:
- (a) Discuss the matter with management to understand the effects of those events or conditions on management's assessment of the entity's ability to continue as a going concern;
 - (b) Determine whether it is necessary to request management to revise its going concern assessment to address the effect of those events or conditions; and (Ref: Para. A46)
 - (c) If applicable, design and perform additional audit procedures to evaluate management's revised assessment of the entity's ability to continue as a going concern in accordance with paragraphs 17-19.

Evaluating Management's Plans for Future Actions

26. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall evaluate management's plans for future actions in relation to its going concern assessment, including whether: (Ref: Para. A47–A51)
- (a) The outcome of these plans is likely to improve the situation;
 - (b) Management's plans are feasible in the circumstances; and
 - (c) Management has both the intent and ability to carry out specific courses of action.

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

27. If management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, the auditor shall evaluate the intent and ability of those parties to maintain or provide the necessary financial support. (Ref: Para. A52–A54)

Information Becomes Available After the Date of the Auditor's Report

28. The auditor shall consider whether any additional information has become available to the auditor after the date of the auditor's report but before the date the financial statements are issued that is related to management's assessment of the entity's ability to continue as a going concern. If so, the auditor shall perform procedures in accordance with ISA 560. (Ref: Para. A55)

Evaluating the Audit Evidence Obtained and Concluding

29. The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained regarding, and shall conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. In doing so, the auditor shall (Ref: Para. A56):
- (a) Evaluate whether the judgments and decisions made by management in making its assessment of the entity's ability to continue as a going concern, even if they are individually reasonable, are indicators of possible management bias. When indicators of possible management bias are identified, the auditor shall evaluate the implications for the audit. (Ref: Para. A57–A60)

- (b) Consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.
30. Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's professional judgment, a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Adequacy of Disclosures

Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material Uncertainty Exists

31. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained the auditor concludes that no material uncertainty exists, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosures about these events or conditions. (Ref: Para. A61–A64, A66)

Adequacy of Disclosures When Events or Conditions Have Been Identified and a Material Uncertainty Exists

32. If the auditor concludes that management's use of the going concern basis of accounting is appropriate in the circumstances but a material uncertainty exists, the auditor shall determine whether the financial statements: (Ref: Para. A65–A66)
- (a) Adequately disclose the principal events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and management's plans for future actions to deal with these events or conditions; and
 - (b) Disclose clearly that there is a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and, therefore, that it may be unable to realize its assets and discharge its liabilities in the normal course of business.

Implications for the Auditor's Report

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists

33. If the auditor concludes that the going concern basis of accounting is appropriate and no material uncertainty exists, the auditor shall include a separate section in the auditor's report with the heading "Going Concern", and: (Ref: Para. A67–A68)
- (a) State that the auditor: (Ref: Para. A69–A70)
 - (i) Concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - (ii) Based on the audit evidence obtained, 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.
 - (b) For an audit of financial statements of a listed entity, if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based

on the audit evidence obtained, the auditor concludes that no material uncertainty exists: (Ref: Para. A71–A72, A78)

- (i) Include a reference to the related disclosure(s), if any, in the financial statements; and (Ref: Para. A61–A64, A66)
- (ii) Describe how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern. (Ref: Para. A73–A77)

Use of Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements

34. If adequate disclosure about the material uncertainty is made in the financial statements, the auditor shall express an unmodified opinion and the auditor’s report shall include a separate section under the heading “Material Uncertainty Related to Going Concern” and: (Ref: Para. A67–A68, A79–A80)
- (a) State that the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
 - (b) Include a reference to the related disclosure(s) in the financial statements; (Ref: Para. A65–A66)
 - (c) State that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity’s ability to continue as a going concern;
 - (d) For an audit of financial statements of a listed entity, describe how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern; and (Ref: Para. A73–A77)
 - (e) State that the auditor’s opinion is not modified in respect of the matter.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements

35. If adequate disclosure about the material uncertainty is not made in the financial statements, the auditor shall: (Ref: Para. A67–A68, A79, A81)
- (a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA 705 (Revised);⁹
 - (b) In the Basis for Qualified (Adverse) Opinion section of the auditor’s report, state that a material uncertainty exists and that the financial statements do not adequately disclose this matter;
 - (c) Include in the auditor’s report a separate section under the heading “Material Uncertainty Related to Going Concern” and:
 - (i) State that the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - (ii) Draw attention to the Basis for Qualified (Adverse) Opinion section of the auditor’s report that states that a material uncertainty exists that has not been adequately disclosed in the financial statements.

⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor’s Report*

Considerations When the Auditor Disclaims an Opinion on the Financial Statements

36. When the auditor disclaims an opinion on the financial statements, unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.¹⁰ (Ref: Para. A82–A83)

Use of Going Concern Basis of Accounting Is Inappropriate

37. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgment, management's use of the going concern basis of accounting in the preparation of the financial statements is inappropriate: (Ref: Para. A84–A85)
- (a) The auditor shall express an adverse opinion; and
 - (b) Unless required by law or regulation, the auditor shall not include separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report.

Written Representations

38. If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern the auditor shall request written representations from management¹¹ and, where appropriate, those charged with governance, regarding: (Ref: Para. A86)
- (a) Their plans for future actions;
 - (b) The feasibility of these plans; and
 - (c) Whether management has the intent to carry out specific courses of action and has the ability to do so.

Communication with Those Charged with Governance

39. Unless all those charged with governance are involved in managing the entity,¹² the auditor shall communicate with those charged with governance events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. Such communication with those charged with governance shall include the following: (Ref: Para. A87–A88)
- (a) Whether the events or conditions constitute a material uncertainty;
 - (b) Whether management's use of the going concern basis of accounting is appropriate in the preparation of the financial statements;
 - (c) An overview of the audit procedures performed and the basis for the auditor's conclusions, including the auditor's evaluation of management's plans for future actions;
 - (d) The adequacy of related disclosures in the financial statements, including disclosures that describe the significant judgments made by management and the mitigating factors in management's plans that are of significance to overcoming the adverse effects of the events or conditions;

¹⁰ ISA 705 (Revised), paragraph 29

¹¹ ISA 580, *Written Representations*

¹² ISA 260 (Revised), paragraph 13

- (e) When applicable, management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested; and
- (f) The implications for the audit or the auditor's report. (Ref: Para. A89)

Reporting to an Appropriate Authority Outside of the Entity

40. When the auditor considers it necessary to include a separate section under the heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issue a modified opinion in respect of matters related to going concern, the auditor shall determine whether law, regulation or relevant ethical requirements: (Ref: Para. A90–A93)
- (a) Require the auditor to report to an appropriate authority outside the entity.
 - (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 1)

- A1. ISA 701¹³ deals with the auditor's responsibility to communicate key audit matters in the auditor's report. That ISA acknowledges that, when ISA 701 applies, a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is, by its nature, a key audit matter.¹⁴ However, in such circumstances, the implications for the auditor's report are in accordance with this ISA. In addition, for audits of financial statements of listed entities, if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, this ISA requires the auditor to disclose under the heading of "Going Concern" within the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Going Concern Basis of Accounting

Considerations Specific to Public Sector Entities (Ref: Para. 2)

- A2. Management's use of the going concern basis of accounting is also relevant to public sector entities. For example, International Public Sector Accounting Standard (IPSAS) 1 addresses the issue of the ability of public sector entities to continue as going concerns.¹⁵ Going concern risks may arise, but are not limited to, situations where public sector entities operate on a for-profit basis, where government support may be reduced or withdrawn, or in the case of privatization. Events or conditions that may cast significant doubt on an entity's ability to continue as a going concern in the public sector may include situations where the public sector entity lacks funding for its continued existence or when policy decisions are made that affect the services provided by the public sector entity.

¹³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

¹⁴ ISA 701, paragraph 15

¹⁵ IPSAS 1, *Presentation of Financial Statements*, paragraphs 38–41

Responsibility for Assessment of the Entity’s Ability to Continue as a Going Concern (Ref: Para. 3)

A3. The circumstances in which entities prepare financial statements on a going concern basis of accounting may vary. For example, IAS 1 explains that those circumstances could range from when an entity has a history of profitable operations and ready access to financial resources, to when management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.¹⁶

Definition (Ref: Para. 10)

A4. The applicable financial reporting framework may or may not explicitly use the term “material uncertainty” when describing the uncertainties that are required to be disclosed in the financial statements related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. For example, the term “material uncertainty” is used in IAS 1. In some other financial reporting frameworks, the term “significant uncertainty” is used in similar circumstances. The auditor is required by paragraph 30 to conclude whether such a material uncertainty exists regardless of whether or how the applicable financial reporting framework defines a “material uncertainty.”

A5. The applicable financial reporting framework may not define or describe the phrase “may cast significant doubt” or may use other terms or phrases. For the purposes of this ISA, the phrase “may cast significant doubt” is used in circumstances when the individual or collective magnitude of identified events or conditions is such that the entity will be unable to meet its obligations and continue its operations for the foreseeable future unless management takes remedial actions to mitigate the effects of these events or conditions. Remedial actions may include, for example, that management realizes assets sooner than originally intended or obtains alternative or additional sources of liquidity to support the entity’s ability to continue as a going concern. In such circumstances, the timing of the events or conditions giving rise to the uncertainty may also be relevant. For example, the shorter the time period in which management must take remedial action, the more significant the uncertainty may be about the entity’s ability to continue as a going concern.

Risk Assessment Procedures and Related Activities

Events or Conditions That May Cast Significant Doubt on the Entity’s Ability to Continue as a Going Concern (Ref: Para. 11)

A6. The auditor’s identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern is before consideration of any related mitigating factors included in management’s plans for future actions. The auditor considers such mitigating factors in accordance with paragraphs 26–27. Some events or conditions may not be significant when considered individually, however when considered collectively with other events or conditions they may cast significant doubt on the entity’s ability to continue as a going concern.

Examples:
The following events or conditions are examples of identified events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern.

¹⁶ IAS 1, paragraph 26

These examples are not all-inclusive.

Financial

- Net liability or net current liability position.
- Fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment; or excessive reliance on short-term borrowings to finance long-term assets.
- Indications of withdrawal of financial support by creditors.
- Recurring negative cash flows from operations or inability to generate cash flows from operations indicated by historical or prospective financial statements.
- Adverse key financial ratios.
- Substantial operating losses or significant deterioration in the value of assets used to generate cash flows.
- Arrears or discontinuance of dividends.
- Inability to pay creditors on due dates.
- Non-compliance or marginal ability to meet debt repayment or other debt covenant requirements or comply with the terms of loan agreements.
- Change from credit to cash-on-delivery transactions with suppliers.
- Inability to obtain additional debt or equity financing to stay competitive, including for financing or major research and development, capital expenditures, essential new product development and other essential investments.
- Exposure to liquidity risk as a result of the maturity mismatch of financial assets and liabilities.

Operating

- Management intentions to liquidate the entity or to cease operations.
- Loss of key personnel and management without replacement.
- Significant declines in customer demand.
- Loss of a major market, significant customer(s), franchise, license, or principal supplier(s).
- Labor difficulties.
- Shortages of important supplies.
- Emergence of a highly successful competitor.

Other

- Significant or sustained business interruption due to a cyber attack (e.g., denial of access to information or inability to provide service).
- Non-compliance or marginal ability to meet capital or other statutory or regulatory requirements, such as solvency or liquidity requirements for financial institutions or

exchange listing requirements.

- Pending litigation and contingent liabilities arising from matters such as sales warranties, financial guarantees and environmental remediation or regulatory proceedings against the entity that may, if successful, result in claims that the entity is unlikely to be able to satisfy.
- Changes in law or regulation or government policy expected to adversely affect the entity, including sustainability related matters.
- Substantial decrease in share price.
- Significant exposures to volatile markets, such as exchange rates, commodities (e.g., crude oil prices), equities or interest rates.
- Uninsured or underinsured catastrophes or business interruption losses when they occur (e.g., an earthquake).
- Changes in the environment such as war, civil unrest, outbreaks of disease expected to adversely affect the entity or physical risks related to climate change (e.g., extreme flooding).

- A7. In certain circumstances, the auditor may identify fraud risk factors arising from events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that are relevant to the identification and assessment of the risks of material misstatement due to fraud in accordance with ISA 240.¹⁷

Examples:

- Recurring negative cash flows from operations or an inability to generate cash flows from operations may create a threat of bankruptcy, foreclosure, or hostile takeover that may indicate an incentive or pressure to commit fraud.
- Non-compliance or marginal ability to meet debt covenant requirements may threaten the ability to renew borrowings and indicate an incentive or pressure to improve the business performance or to intentionally misstate the financial statements.

Risk Assessment Procedures and Related Activities (Ref: Para. 11–12)

- A8. ISA 315 (Revised 2019) contains requirements and guidance regarding the auditor's responsibility to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, and the identification and assessment of the risks of material misstatement whether due to fraud or error. The requirements and guidance in this ISA refer to, or expand on, what is required by ISA 315 (Revised 2019) relevant to identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A9. The risk assessment procedures and related activities assist the auditor in determining whether management's use of the going concern basis of accounting is likely to be an important issue and its impact on planning the audit. In particular, when performing risk assessment procedures, such as those required by paragraphs 11–12, the auditor may identify information about certain events or conditions that, when considered individually or collectively, indicate that there are events or

¹⁷ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 24

conditions that may cast significant doubt on the entity's ability to continue as a going concern. These procedures also allow for more timely discussions with management, including a discussion of management's plans for future actions and resolution of any identified going concern issues when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. The auditor uses professional judgment to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this ISA.

A10. ISA 315 (Revised 2019)¹⁸ requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Designing and performing risk assessment procedures in an unbiased manner may assist the auditor in identifying potentially contradictory information. This may assist the auditor in maintaining professional skepticism when identifying whether the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern give rise to a risk of management bias in the preparation of the financial statements (also see paragraphs A57–A60).

A11. The following are examples of risk assessment procedures that may be relevant:

Examples:

The Entity and its Environment

- Inquiries of financial planning and analysis personnel related to cash flow, profit and other relevant forecasts to understand the sensitivity analysis related to future earnings included in management's assessment of going concern.
- Inquiries of the entity's legal counsel about the existence of litigation and claims and the reasonableness of management's assessments of their outcome and the estimate of their financial implications.
- Review of previous forecasts (retrospective review) to obtain information regarding the effectiveness of management's process for assessing going concern.
- Inspecting the terms of debentures and loan agreements and determining whether any have been breached.

The Applicable Financial Reporting Framework

- Review of disclosures about the significant judgments and assumptions management makes about the future included in the entity's latest available financial statements that may be indicative of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

The Entity's System of Internal Control

- Inspecting the minutes of the meetings of shareholders, those charged with governance and relevant committees for reference to financing difficulties.

A12. The auditor may also use automated tools and techniques when designing and performing risk

¹⁸ ISA 315 (Revised 2019), paragraph 13

assessment procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

The auditor may use automated tools and techniques when:

- Performing analytical procedures to understand the trends of key financial ratios (e.g., the entity's key sources of earnings and their relationship to cash generation) or identify inconsistencies or unusual events.
- Applying predictive models to assess an entity's financial condition or to understand the impact of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (e.g., models for bankruptcy prediction).

Scalability (Ref: Para. 11–12)

A13. The nature and extent of the auditor's risk assessment procedures may vary based on the nature and circumstances of the entity.

Examples:

The Entity and its Environment

- The nature and extent of the auditor's risk assessment procedures to obtain an understanding of the measures used, internally and externally, to assess the entity's financial performance are likely to be more extensive for entities with a complex structure and business activities. Such entities may also have complex borrowing arrangements with lenders, suppliers or group entities. In contrast, for smaller or less complex entities whose business activities are simple with few lines of business and with uncomplicated borrowing arrangements the nature of the auditor's risk assessment procedures is likely to be less extensive.

The Applicable Financial Reporting Framework

- When the entity's business activities are affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the related disclosures in the entity's financial statements may be straightforward and the applicable financial reporting requirements may be simpler to apply. In such circumstances, the auditor's procedures to obtain an understanding of the basis for management's intended use of the going concern basis of accounting are likely to be less extensive.

The Entity's System of Internal Control

- The nature and extent of the auditor's risk assessment procedures may also depend on the extent to which certain matters apply in the circumstances. For example, those charged with governance in smaller or less complex entities may not include independent or outside members who exercise oversight over management's assessment of the entity's ability to continue as a going concern. In addition, the entity's risk assessment process may be

undertaken through the direct involvement of the owner-manager.

A14. The following considerations may be relevant for smaller or less complex entities:

- The size of an entity may affect its ability to withstand adverse conditions. Smaller entities may be able to respond quickly to exploit opportunities, but may lack reserves to sustain operations.
- Conditions of particular relevance to smaller entities include the risk that banks and other lenders may cease to support the entity, as well as the possible loss of a principal supplier, major customer, key employee, or the right to operate under a license, franchise or other legal agreement.

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

The Entity and Its Environment (Ref: Para. 12(a), 12(c))

A15. The entity's business model, objectives, strategies and related business risks may give rise to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some business risks may be so significant that they have implications for the conclusion as to the appropriateness of the entity's use of the going concern basis of accounting and whether a material uncertainty exists.

Examples:

- Industry developments, such as the lack of access to appropriate personnel or expertise to deal with the changes in the industry or loss of significant customers or market share.
- New products and services that may lead to increased product liability.
- Expansion of the entity's business, and demand that has not been accurately estimated.
- Regulatory requirements resulting in increased legal exposure or financial impacts or restrictions on business activities, including those arising from sustainability related matters.
- Current and prospective financing requirements, such as loss of financing due to the entity's inability to meet certain predetermined revenue metrics.
- Incentives and pressures on management, which may result in management bias, and therefore affect the reasonableness of assumptions used in management's assessment of the entity's ability to continue as a going concern.

A16. Management will likely use information available about the future as well as historical information from internal and external sources when identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Obtaining an understanding of the measures used, internally or externally, may highlight unexpected results or trends that may indicate the existence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Examples:

- Internal performance measures may indicate an unusual deterioration in sales volume when compared to that of other entities in the same industry that may be indicative of a significant

decline in market share or loss of customers.

- External information sources, such as pricing data, comparable data about competitors (benchmarking data) or macro-economic data may indicate competitive, industry, economic and other factors that are used in the entity's forecasts, future cash flow and budgeting processes.
- The analysis of the entity's financial performance by external parties, such as analysts, credit agencies or institutional investors, may highlight inconsistencies with management's performance measures.

The Applicable Financial Reporting Framework (Ref: Para. 12(d), 12(e))

A17. Obtaining an understanding of the requirements of the applicable financial reporting framework provides the auditor with information about the recognition, measurement and presentation criteria in the applicable financial reporting framework, and how they apply in the preparation of the financial statements under the going concern basis of accounting. The applicable financial reporting framework may also include disclosure requirements about the significant judgments and assumptions management makes in concluding whether or not there is a material uncertainty related to going concern. Law or regulation may also include disclosure and other detailed requirements when preparing financial statements on the going concern basis of accounting.

A18. The nature, extent, timing and frequency of management's assessment of the entity's ability to continue as a going concern may vary from entity to entity. In some entities, management may make assessments of the entity's ability to continue as a going concern more frequently as part of continuous monitoring, while in other entities it may be made on an annual basis. If such an assessment has not yet been performed, the auditor may obtain an understanding of the basis for the intended use of the going concern basis of accounting through discussion with management and inquire of management whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.

The Entity's System of Internal Control (Ref: Para. 12(f), 12(h), 12(i))

A19. Obtaining an understanding of the oversight by those charged with governance may be particularly important when the assessment of the entity's ability to continue as a going concern:

- Requires significant judgment by management to assess whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
- Is complex to make, for example, because of the use of multiple data sources or assumptions with complex interrelationships.

A20. The effectiveness of management's assessment of the entity's ability to continue as a going concern may be influenced by the oversight exercised by those charged with governance. The auditor may obtain an understanding of whether those charged with governance:

- Have the skills or knowledge to understand the appropriateness of the method used by management in assessing the entity's ability to continue as a going concern.
- Have the skills or knowledge to understand whether management's assessment of the entity's

ability to continue as a going concern has been made in accordance with the requirements of the applicable financial reporting framework.

- Are independent from management, have the information required to evaluate on a timely basis how management made the assessment of the entity’s ability to continue as a going concern, and the authority to call into question management’s actions when those actions appear to be inadequate or inappropriate.
- Oversee management’s process for making the assessment of the entity’s ability to continue as a going concern.

A21. Aspects that may be relevant to the auditor’s understanding of how management determines the relevant method, assumptions and data may include:

- The basis for management’s selection of the method, assumptions and data used in assessing the entity’s ability to continue as a going concern; and
- If alternative methods, assumptions or data were considered by management, including:
 - How management determines that the assumptions are relevant and complete.
 - How management determines the relevance, accuracy and completeness of the data used in the assessment.

A22. The disclosures related to the entity’s ability to continue as a going concern may contain information that is obtained from other supporting records and information from outside of the general and subsidiary ledgers (e.g., information produced by an entity’s risk management system about hedging strategies or sensitivity analysis derived from financial models that demonstrate management has considered alternative assumptions). As part of obtaining an understanding of the entity’s system of internal control, the auditor may consider how management determines the appropriateness of such information used to develop the disclosures related to the entity’s ability to continue as a going concern.

Remaining Alert Throughout the Audit for Information about Events or Conditions (Ref: Para. 13)

A23. As explained in ISA 315 (Revised 2019),¹⁹ obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity’s system of internal control is a dynamic and iterative process of gathering, updating and analyzing information and continues throughout the audit. Therefore, the auditor’s identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern may change as new information is obtained.

Example:

The auditor may identify a risk of a material misstatement associated with the valuation assertion for a lender of medium-term real estate backed loans because of a fall in real estate market values. The same event in combination with a severe economic downturn may have a longer-term consequence and a greater impact on the assessment of the risk of material misstatement that may also indicate an event or condition that may cast significant doubt on the entity’s ability to

¹⁹ ISA 315 (Revised 2019), paragraph A48

continue as a going concern.

- A24. ISA 315 (Revised 2019) requires the auditor to revise the auditor's identification or assessment of the risks of material misstatement if the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification or assessment of risk.²⁰ If events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are identified after the auditor's risk identification or assessments are made, in addition to performing the procedures in this ISA, the auditor's identification or assessment of the risks of material misstatement may need to be revised.
- A25. The auditor may also become aware of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern from:
- External information sources (e.g., publicly available information of the entity's financial performance by external parties, such as information about short-selling of shares, industry or macro-economic forward-looking information such as economic or earnings forecasts).
 - Other engagements performed for the entity (e.g., an agreed-upon procedures engagement).
 - The auditor's consideration of the other information in accordance with ISA 720 (Revised).²¹

Events or Conditions not Previously Identified or Disclosed by Management (Ref: Para. 14)

- A26. If the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern that management failed to identify or disclose to the auditor, this may constitute a deficiency in internal control. ISA 265²² deals with the auditor's responsibility to communicate appropriately to those charged with governance and management deficiencies in internal control that the auditor has identified in an audit of financial statements.
- A27. When management has intentionally failed to identify or disclose to the auditor events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, this may raise doubts about their integrity and honesty, such as when the auditor suspects an intention to mislead. ISA 240 provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.²³

Control Deficiencies Within the Entity's System of Internal Control (Ref: Para. 15)

- A28. When the auditor identifies one or more control deficiencies with respect to management's assessment of going concern, ISA 265 requires the auditor to determine whether, individually or in combination, the deficiencies in internal control constitute a significant deficiency. Matters the auditor may consider in determining whether a significant deficiency in internal control exists related to management's assessment of going concern may include:
- Absence of a process established by management to identify, assess and address events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

²⁰ ISA 315 (Revised 2019), paragraph 37

²¹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

²² ISA 265, *Communicating Deficiencies in Internal Control to Management and Those Charged with Governance*

²³ ISA 240, paragraphs 26-28

- Ineffective oversight by those charged with governance over management's assessment of the entity's ability to continue as a going concern.
- Evidence that management has failed to identify or disclose events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating Management's Assessment

Management's Assessment and Supporting Analysis and the Auditor's Evaluation (Ref: Para. 17)

A29. Management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's evaluation whether:

- Management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- A material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A30. It is not the auditor's responsibility to rectify a lack of analysis by management. In some circumstances, however, a lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances. For example, when the entity has profitable operations and there are no liquidity concerns, management may make its assessment without detailed analysis. However, in situations when, in the auditor's professional judgment, management has not performed an appropriate assessment, this may be an indicator of a deficiency in internal control in accordance with ISA 265.

Scalability (Ref: Para. 17)

A31. The nature and extent of the auditor's procedures to evaluate management's assessment of the entity's ability to continue as a going concern is a matter of the auditor's professional judgment and may vary based on the nature and circumstances of the entity and the complexity of the method used by management to assess the entity's ability to continue as a going concern.

Examples:

- The auditor's procedures to evaluate the method used by management are likely to be more extensive when the entity's business activities are more complex or susceptible to a greater degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. For example, in some larger or more complex entities, management's method may require input from multiple sources of historical and forward-looking data. The method may also include significant judgments or assumptions with multiple interrelationships between them or from sources of data external to the entity. Supporting analysis may include the effects of adverse scenarios or may employ sensitivity and scenario analysis to consider alternative outcomes related to the entity's current and expected profitability, its liquidity sources, financial obligations and the funds necessary to maintain the entity's operations for the foreseeable future. Supporting analysis may also reflect the interdependencies between risk variables that impact liquidity, market and credit risks.

- In other cases, management’s method to assess the entity’s ability to continue as a going concern may be straightforward because the business activities are simple or the business is affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. For example, in a smaller or less complex entity, management may determine that the most appropriate method is to prepare a simple cash flow forecast and budget or other equivalent analysis covering the appropriate assessment period.

Obtaining Audit Evidence in an Unbiased Manner (Ref: Para. 18)

A32. Obtaining audit evidence in an unbiased manner may involve obtaining evidence from multiple sources within and outside the entity. However, the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence.

Examples:

Contradictory information may include:

- The results of the auditor’s procedures to evaluate the assumptions used by management in a cash flow forecast highlight inconsistencies with assumptions used for other purposes, such as forecasts used to evaluate the recoverability of deferred tax assets or impairment of assets.
- The outcome of the analysis performed for other account balances is indicative of deteriorating financial performance (e.g., increased inventory obsolescence, delays in payments from customers, changes in customer base, increased borrowings or delays in payments to creditors) that is not adequately considered by management when making its assessment of going concern.

Corroborative information may include:

- Publicly available information from external sources, such as analysts’ expectations or industry data that is consistent with forecasts and assumptions used by management in its assessment of going concern.

Method, Assumptions and Data Used in Management’s Assessment (Ref: Para. 19)

A33. The method, assumptions and data used by management in its assessment of the entity’s ability to continue as a going concern support the judgments made by management about the appropriateness of the use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists.

Method (Ref: Para. 19(a))

A34. Matters that may be relevant to the auditor’s evaluation of whether the method selected is appropriate in the context of the applicable financial reporting framework and, if applicable, the appropriateness of changes from the prior period may include:

- Whether management’s rationale for the method selected is appropriate;
- When management has determined that different methods result in significantly different

outcomes, how management has investigated the reasons for these differences; and

- Whether the changes are based on new circumstances or new information. When this is not the case, the changes may not be reasonable or may be an indicator of possible management bias (also see paragraphs A57–A60).

A35. Matters that may be relevant to the auditor’s evaluation of whether calculations are applied in accordance with the method used by management and are mathematically accurate may include whether management has provided adequate explanations for advanced or complex calculations or processing steps (e.g., multiple formulas or macros).

Assumptions (Ref: Para. 19(b))

A36. Considerations for the auditor’s evaluation regarding the assumptions on which management’s assessment is based may include:

- Management’s rationale for the selection of the assumptions;
- Whether the assumptions used are consistent with those used in other areas of the entity’s business activities, for example, business prospects, assumptions in strategy documents and assumptions used in making accounting estimates;
- Whether management considered alternative assumptions to determine the effect of changes in the assumptions on the data used in making the assessment, for example, performing a sensitivity analysis including ‘pessimistic’ and ‘optimistic’ scenarios; and
- Whether a change from prior periods in selecting an assumption is based on new circumstances or new information. When it is not the case, the change may not be reasonable or may be an indicator of possible management bias (also see paragraphs A57–A60).

Example:

The use of automated tools and techniques may assist the auditor when performing sensitivity analysis of management’s assessment of going concern to understand how outcomes are affected by changes in input variables such as discount or growth rates.

Data (Ref: Para. 19(c))

A37. Considerations for the auditor’s evaluation regarding the data on which management’s assessment is based may include whether:

- The data used is consistent with data used elsewhere by management in the preparation of the financial statements; and
- Modifications made to the data are appropriate and supported by management’s rationale.

Scalability (Ref: Para. 19)

A38. The nature and extent of the auditor’s procedures may vary depending on the method, assumptions and data used by management to assess the entity’s ability to continue as a going concern.

Examples:

Method

- The greater the complexity of the method used by management to assess the entity's ability to continue as a going concern, the more likely it is that management may need to apply specialized skills or knowledge in making its assessment. Also, the auditor's procedures to evaluate management's method will likely be more extensive. In such circumstances it may also be appropriate to involve members of the engagement team with specialized skills or knowledge to assist the auditor in applying the audit procedures or evaluating the results of those procedures.
- In contrast, the auditor's procedures may be less extensive when management's method is simpler, such as when the method used includes a simple budget, sales or cash flow forecast and an analysis of the entity's borrowing facilities and requirements.

Assumptions

- When the assumptions used by management inherently have a high level of subjectivity (e.g., assumptions based on internally developed plans for future restructuring of the entity's business units), the auditor's procedures are likely to be more extensive and may include consideration of forward-looking assumptions.
- In contrast, when management uses assumptions commonly used by other marketplace participants, the auditor's procedures to evaluate the assumptions used by management may be less extensive and may include the auditor comparing the assumptions to those obtained directly from the market or a third party.

Data

- When management's assessment of going concern includes large volumes of data from multiple sources, there may be inherent complexity in evaluating the reliability of the data used and the auditor's procedures may employ automated tools and techniques to evaluate the reliability of the data used by management.
- In contrast, when the source of the data is derived from a reputable external information source (e.g., from a central bank or statistical reports from reputable, authoritative sources) the auditor's procedures to consider the reliability of the information may not be as extensive.

Period Beyond Management's Assessment (Ref: Para. 20)

A39. The auditor remains alert to the possibility that there may be known events, scheduled or otherwise, or conditions that will occur beyond the period of assessment used by management that may bring into question the appropriateness of management's use of the going concern basis of accounting in preparing the financial statements. Since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further in the future, the indications of going concern issues need to be significant before the auditor needs to consider taking further action. If such events or conditions are identified, the auditor may need to request management to evaluate the potential significance of the events or conditions on its assessment of the entity's ability to continue as a going concern.

- A40. Other than inquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern beyond the period assessed by management, which, as required by paragraph 21, would be at least twelve months from the date of approval of the financial statements.
- A41. When events or conditions have been identified in the period beyond management's assessment, depending on the nature and circumstances of such events or conditions, the auditor may consider requesting management to revise the period of assessment for example, by extending it beyond twelve months from the date of approval of the financial statements.

Requesting Management to Extend Its Assessment (Ref: Para. 21)

- A42. Most financial reporting frameworks requiring an explicit management assessment about going concern specify the minimum period for which management is required to take into account all available information.²⁴ Paragraph 21 requires the auditor to request management to extend its assessment period if that period covers less than twelve months from the date of the approval of the financial statements. This requirement also applies when the applicable financial reporting framework does not specify the period to be covered by management's assessment of the entity's ability to continue as a going concern.

Management Unwilling to Make or Extend its Assessment (Ref: Para. 22–23)

- A43. An unwillingness by management to make or extend its assessment may be a limitation on the audit evidence the auditor is seeking to obtain about the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. Accordingly, the auditor is required to discuss the matter with management, and where appropriate, with those charged with governance, and inquire as to the reasons for management's decision.
- A44. Where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen.
- A45. If following the discussion required by paragraph 22 the auditor is unable to obtain sufficient appropriate audit evidence that supports the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, as a result of management's decision not to make or extend its assessment, the auditor may conclude that it is appropriate to:
- Revise the assessment of the risks of material misstatement and modify planned audit procedures in accordance with ISA 315 (Revised 2019).²⁵ For example, if management's decision is unreasonable in the circumstances, this may indicate a fraud risk factor that requires

²⁴ For example, IAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the end of the reporting period and IPSAS 1 defines this as a period that should be at least, but is not limited to, twelve months from the approval of the financial statements.

²⁵ ISA 315 (Revised 2019), paragraph 37

evaluation in accordance with ISA 240.

- Consider management's unwillingness to make or extend its assessment as a limitation on the audit evidence the auditor has obtained. In accordance with ISA 705 (Revised), when the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement, the auditor expresses a qualified opinion or disclaims an opinion.

Information Used in Management's Assessment (Ref: Para. 25)

A46. Paragraphs A24, A26–A27 and A55 describe circumstances that are relevant when it may be necessary for the auditor to request management to revise its assessment.

Evaluating Management's Plans for Future Actions (Ref: Para. 26–27)

A47. Management's plans for future actions may mitigate the significance of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Such plans for future actions, may include plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.

Examples:

- The risk of an entity being unable to make its normal debt repayments may be counterbalanced by management's plans to maintain adequate cash flows by alternative means, such as by disposing of assets, rescheduling loan repayments, or obtaining additional capital.
- The loss of a principal supplier may be mitigated by management's actions to secure a suitable alternative source of supply.

A48. The auditor's procedures to evaluate management's plans for future actions may include:

- Inquiry of management about its reasons for a particular course of action.
- Inquiry of management about the ability to carry out a particular course of action given the entity's economic circumstances, including the implications of its existing commitments and legal, regulatory, or contractual restrictions that could affect the feasibility of management's actions.
- Inquiry of those charged with governance or others within the entity to corroborate the responses to inquiries of management.
- Inspecting information about management's history of carrying out its stated intentions.
- Inspecting written plans and other documentation, including, when applicable, formally approved budgets, authorizations or minutes.
- Inspecting records and documents for support of any planned disposals of assets.
- Inspecting reports of regulatory actions.
- Inspecting correspondence with lenders and finance providers that could affect the feasibility of management's plans to carry out further actions.

- Reviewing events occurring subsequent to the date of the financial statements and up to the date of the auditor’s report to identify those that either mitigate or otherwise affect the entity’s ability to continue as a going concern.
- Confirming the existence, legality and enforceability of arrangements to provide or maintain financial support with third parties or related parties, including the entity’s owner-manager and evaluating the financial ability of such parties to provide additional funds (also see paragraphs A49–A51).
- When prospective financial information is particularly significant to management’s plans for future actions, analytical procedures by comparing:
 - The prospective financial information for recent prior periods with historical results; and
 - The prospective financial information for the current period with results achieved to date.
- When management’s plans for future actions are based on information from internal sources, comparing to information from reputable independent sources external to the entity.

A49. In certain circumstances the auditor may consider requesting an external confirmation²⁶ of the existence and terms of borrowing facilities between the entity and external finance providers.

Examples:

Requesting an external confirmation may be appropriate when:

- Borrowing facilities are being renewed in the assessment period.
- There are limited financial resources available to the entity beyond those required to continue its operations.
- The entity is dependent on borrowing facilities shortly due for renewal, for example within twelve months from the approval of the financial statements.
- There is an indication that previous renewal of borrowing facilities was agreed with difficulty, or the lender has imposed additional conditions as a prerequisite for continued financing.
- There is a significant deterioration in projected cash flows.
- The value of assets granted as security for borrowing is declining.
- The entity has breached the terms of borrowing covenants, or there are indications of potential breaches.

A50. Some finance providers may be reluctant to confirm in writing to an entity or their auditor that borrowing facilities will be renewed. When management’s plans for future action are based on arrangements to maintain or secure borrowing facilities from external finance providers, the lack of an external confirmation may be a limitation on the audit evidence the auditor is seeking to obtain. In such circumstances, the auditor may consider inquiring of external finance providers. The auditor may also need to inquire of management as to whether there are alternative strategies or sources of financing that may mitigate the significance of identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If alternative strategies or sources of

²⁶ ISA 330, *The Auditor’s Responses to Assessed Risks*, paragraph 19

financing are not available, then a material uncertainty may exist.

- A51. When events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor's conclusion required by paragraph 30 is dependent on the auditor's evaluation of management's plans for future actions. If in the auditor's professional judgment, management's plans for future actions are not sufficient to mitigate the identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, then a material uncertainty may exist.

Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager

Intent (Ref: Para. 27)

- A52. Where management's plans for future actions include financial support by third parties or related parties, including the entity's owner-manager, whether through the subordination of loans, commitments to maintain or provide additional funding, or guarantees, and such financial support is important to an entity's ability to continue as a going concern, the auditor may need to consider requesting written confirmation from such parties to obtain sufficient appropriate audit evidence about their intent to provide the necessary financial support. Such written confirmation may be in paper form, or by electronic or other medium²⁷ and may include:
- Terms and conditions of the commitment from those parties.
 - When applicable, the legality and enforceability of the commitments.
 - The period or the specific date to which the parties intend to provide the financial support.

Ability (Ref: Para. 27)

- A53. The auditor's procedures to obtain sufficient appropriate audit evidence about the ability of the third parties or related parties, including the entity's owner-manager, to provide the financial support may include:
- Inquiries about the business rationale for the financial support and the basis on which such support is established (e.g., entity's business plans or other forecasts).
 - Inquiries about the ability to provide the financial support in a timely manner for the entity to meet its obligations.
 - Inquiries of others, such as external or internal legal counsel, who may have relevant knowledge and information about the ability of third parties or related parties, including the entity's owner-manager, to provide the financial support.
 - Inspecting the records of past financial support provided by the parties when such support was needed.
 - Inspecting the latest available audited financial statements or other supporting information to obtain audit evidence about the financial position of the parties to provide the necessary financial support to the entity.

²⁷ ISA 505, *External Confirmations*, paragraph 6(a)

Scalability (Ref: Para. 27)

- A54. Financial support by an entity's owner-manager is often important to the ability of smaller or less complex entities to continue as a going concern. Where a smaller or less complex entity is largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn.

Example:

The continuance of a smaller or less complex entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favor of banks or other creditors, or the owner-manager supporting a loan for the entity by providing a guarantee with the owner-manager's personal assets as collateral. In such circumstances, the auditor may obtain appropriate documentary evidence of the subordination of the owner-manager's loan or of the guarantee. Where an entity is dependent on additional support from the owner-manager, the auditor evaluates the owner-manager's ability to meet the obligation under the support arrangement. In addition, the auditor may request written confirmation of the terms and conditions attaching to such support and the owner-manager's intention or understanding.

Information Becomes Available After the Date of the Auditor's Report (Ref: Para. 28)

- A55. ISA 560 requires the auditor to respond appropriately to facts that become known to the auditor after the date of the auditor's report but before the date the financial statements are issued, that, had they been known to the auditor at the date of the auditor's report, may have caused the auditor to amend the auditor's report.²⁸ For example, this may be the case when the auditor is aware of a significant delay between the date of the auditor's report and the date the financial statements will be issued, and the auditor determines that such delay is related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Evaluating the Audit Evidence Obtained and Concluding (Ref: Para. 29)

- A56. If the auditor is unable to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, in accordance with ISA 705 (Revised) the auditor is required to consider the implications for the audit.

Indicators of Possible Management Bias (Ref: Para. 29(a))

- A57. The susceptibility to management bias, whether intentional or unintentional, may increase with the degree of estimation uncertainty, complexity and subjectivity in management's assessment of the entity's ability to continue as a going concern.
- A58. When the auditor identifies indicators of possible management bias, the auditor may need a further discussion with management and may need to reconsider whether sufficient appropriate audit evidence has been obtained that the method, assumptions and data used by management to make its assessment of the entity's ability to continue as a going concern were appropriate.

²⁸ ISA 560, paragraphs 10-13

Examples:

- Management may tend to ignore observable marketplace assumptions or data and instead use their own internally-developed assumptions or select data that yields a more favorable outcome.
- There may be changes in the method or assumptions from period to period without a clear and appropriate reason for doing so.
- There may be significant influence of an owner-manager or a related party over the determination of the source of the information used in management's assessment of the entity's ability to continue as a going concern.
- Management may be overly optimistic or fail to consider trends and patterns in historical information when evaluating future outcomes about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

A59. When such indicators are identified, this may also affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate. The auditor may also need to consider the implications for other aspects of the audit,²⁹ including the need to further question the appropriateness of management's judgments in making its assessment of the entity's ability to continue as a going concern. Further, indicators of possible management bias may affect the auditor's conclusion as to whether the financial statements as a whole are free from material misstatement, as discussed in ISA 700 (Revised).³⁰

A60. Indicators of possible management bias may also be fraud risk factors and may cause the auditor to reassess whether the auditor's risk assessment, in particular the assessment of the risks of material misstatement due to fraud, and related responses remain appropriate.³¹ When there is intention to mislead, management bias is fraudulent in nature and the auditor may need to consider whether the bias may represent a material misstatement due to fraud.

Adequacy of Disclosures

Adequacy of Disclosures When Events or Conditions Have Been Identified but No Material Uncertainty Exists
(Ref: Para. 31, 33(b)(i))

A61. Even when no material uncertainty exists, paragraph 31 requires the auditor to evaluate whether, in view of the requirements of the applicable financial reporting framework, the financial statements provide adequate disclosure about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Some financial reporting frameworks may address disclosures about:

- Principal events or conditions;
- Management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations;

²⁹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs A133-A136

³⁰ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, paragraph 11

³¹ ISA 240, paragraph 25

- Management's plans that mitigate the effect of these events or conditions;
- The assumptions management makes about the future, and other sources of estimation uncertainty; or
- Significant judgments made by management as part of its assessment of the entity's ability to continue as a going concern.

A62. In assessing the entity's ability to continue as a going concern, management considers all relevant information about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Having considered all relevant information, including the feasibility and effectiveness of any remedial actions to mitigate the effects of those events or conditions, management may conclude that there is no material uncertainty. For example, in response to declining customer demand and uncertainties faced in the broader economic environment, management may have started executing a turnaround strategy that is demonstrating evidence of success (e.g., reducing costs, optimising cash flows and preserving liquidity, to support the entity's ability to meet its obligations and continue its operations for the foreseeable future). However, when reaching the conclusion that no material uncertainty exists involved significant judgment by management, the applicable financial reporting framework may require additional disclosures to be provided in the financial statements related to the significant judgments made by management in concluding that there is no material uncertainty.

A63. When the financial statements are prepared in accordance with a fair presentation framework, the auditor's evaluation as to whether the financial statements achieve fair presentation includes the consideration of the overall presentation, structure and content of the financial statements, and whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.³² Depending on the facts and circumstances, the auditor may determine that additional disclosures are necessary to achieve fair presentation. This may be the case, for example, when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, and no disclosures are specifically required by the applicable financial reporting framework regarding these circumstances.

A64. In accordance with ISA 705 (Revised),³³ the auditor is required to express a modified opinion in the auditor's report when the financial statements do not provide the additional disclosures necessary to achieve fair presentation beyond disclosures specifically required by the applicable financial reporting framework.

Adequacy of Disclosure when Events or Conditions Have Been Identified and a Material Uncertainty Exists (Ref: Para. 32, 34(b))

A65. Paragraph 32 requires the auditor to determine whether the financial statement disclosures address the matters set forth in that paragraph. This determination is in addition to the auditor determining whether disclosures about a material uncertainty, required by the applicable financial reporting framework, are adequate. Disclosures required by some financial reporting frameworks that are in addition to matters set forth in paragraph 32 may include disclosures about:

³² ISA 700 (Revised), paragraph 14

³³ ISA 705 (Revised), paragraphs 6 and A7

- Management's evaluation of the significance of the events or conditions relating to the entity's ability to meet its obligations; or
- Significant judgments made by management as part of its assessment of the entity's ability to continue as a going concern.

Some financial reporting frameworks may provide additional guidance regarding management's consideration of disclosures about the magnitude of the potential impact of the principal events or conditions, and the likelihood and timing of their occurrence.

Considerations Specific to Public Sector Entities (Ref: Para. 31–32, 33(b)(i), 34(b))

A66. In the public sector, the auditor may need to consider public sector financial reporting disclosure requirements related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. For example, in certain jurisdictions public sector entities may be required to report on long-term fiscal sustainability of a public sector entity's finances.

Implications for the Auditor's Report (Ref: Para. 33–37)

A67. The Appendix to this ISA provides illustrations of the statements that are required to be included in the auditor's report on the financial statements when International Financial Reporting Standards (IFRSs) is the applicable financial reporting framework. If an applicable financial reporting framework other than IFRSs is used, the illustrative statements presented in the Appendix to this ISA may need to be adapted to reflect the application of the other financial reporting framework in the circumstances.

A68. The statements required by paragraphs 33–35 represent the minimum information that is to be presented in the auditor's report in each of the circumstances described. The auditor may provide additional information to supplement the required statements. The Appendix of ISA 700 (Revised)³⁴ includes illustrative wording to be included in the auditor's report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Use of Going Concern Basis of Accounting Is Appropriate – No Material Uncertainty Exists (Ref: Para. 33)

A69. The auditor may provide additional information in the auditor's report that would supplement the statements required by paragraph 33(a) (e.g., to provide a reference to the relevant accounting policies or the notes in the financial statements).

A70. Illustration 1 of the Appendix to this ISA is an example of an auditor's report of an entity other than a listed entity when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting and has concluded that no material uncertainty exists.

A71. For an audit of financial statements of an entity other than a listed entity, law or regulation may require the auditor to provide the information required by paragraph 33(b). The auditor also may decide that providing the information required by paragraph 33(b) for an entity other than a listed entity would be appropriate to enhance transparency for intended users of financial statements in the auditor's report. For example, the auditor may decide to do so for other entities, including those that may be of

³⁴ ISA 700 (Revised), paragraphs 34 and 39.

significant public interest, for example, because they have a large number and wide range of stakeholders and considering the nature and size of the business. Such entities may include financial institutions (such as banks, insurance companies, and pension funds), and other entities such as charities.

- A72. There may be circumstances when, in the auditor's judgment, the disclosures of management's judgments relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are fundamental to the intended users' understanding of the financial statements. Also, there may be circumstances when the auditor, in addition to including a reference to the disclosure(s) in the financial statements, would consider it appropriate to draw attention to key aspects of them. In such circumstances, the information required by paragraph 33(b) can be supplemented to include aspects of the identified events or conditions disclosed in the financial statements, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors or to draw attention to aspects of the disclosures of management's judgments.

Description of How the Auditor Evaluated Management's Assessment of Going Concern (Ref: Para. 35(b)(ii), 36(d))

- A73. The auditor may describe one or more of the following elements when providing the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- A brief overview of procedures performed;
 - An indication of the outcome of the auditor's procedures;
 - Aspects of the auditor's response or approach that were most relevant to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; or
 - Key observations with respect to the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.
- A74. The amount of detail to be provided in the auditor's report to describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern is a matter of professional judgment. When considering the amount of detail to provide in the auditor's report, the auditor may consider the following factors:
- The nature and extent of audit procedures performed to evaluate management's assessment to conclude that no material uncertainty exists.
 - The level of subjectivity, complexity and estimation uncertainty involved in management's assessment.
- A75. In order for intended users to understand the significance of the description in the context of the audit of the financial statements as a whole, care may be necessary so that language used in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern:
- Relates the description directly to the specific circumstances of the entity, while avoiding generic or standardized language.

- Takes into account how the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are addressed in the related disclosure(s) in the financial statements, if any.
- Does not contain or imply discrete opinions on separate elements of the financial statements.
- When applicable, does not obscure that a material uncertainty exists.

A76. The nature and extent of the information provided by the auditor is intended to be balanced in the context of the responsibilities of the respective parties (i.e., for the auditor to provide useful information in a concise and understandable form, while not inappropriately being the provider of original information about the entity). Original information is any information about the entity that has not otherwise been made publicly available by the entity (e.g., has not been included in the financial statements or other information available at the date of the auditor's report, or addressed in other oral or written communications by management or those charged with governance, such as a preliminary announcement of financial information or investor briefings). Such information is the responsibility of the entity's management and those charged with governance.

A77. It is appropriate for the auditor to seek to avoid inappropriately providing original information about the entity in the description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. The description of how the auditor evaluated management's assessment of the entity's ability of going concern is not usually of itself original information about the entity, as it describes the matter in the context of the audit. However, the auditor may consider it necessary to include additional information to explain aspects of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern to enhance users' understanding. When such information is determined to be necessary by the auditor, the auditor may encourage management or those charged with governance to disclose additional information, rather than the auditor providing original information in the auditor's report. Management or those charged with governance may decide to include new or enhanced disclosures in the financial statements or elsewhere in the annual report relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in light of the fact that the auditor will communicate how they were addressed in the auditor's report.

A78. Illustration 2 of the Appendix to this ISA is an example of an auditor's report of a listed entity when:

- The auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting;
- The auditor has concluded that no material uncertainty exists; and
- Adequate disclosure is provided in the financial statements about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Use of the Going Concern Basis of Accounting Is Appropriate – A Material Uncertainty Exists (Ref: Para. 34–35)

A79. The identification of a material uncertainty is a matter that is important to intended users' understanding of the financial statements. The use of a separate section with a heading that includes reference to the fact that a material uncertainty exists alerts intended users to this circumstance.

Adequate Disclosure of a Material Uncertainty Is Made in the Financial Statements (Ref: Para. 34)

A80. Illustrations 3 and 4 of the Appendix to this ISA are examples of an auditor's report of an entity other than a listed entity and a listed entity, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but a material uncertainty exists and disclosure is adequate in the financial statements.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements (Ref: Para. 35)

A81. Illustrations 5 and 6 of the Appendix to this ISA are examples of auditor's reports for a listed entity and an entity other than a listed entity containing qualified and adverse opinions, respectively, when the auditor has obtained sufficient appropriate audit evidence regarding the appropriateness of management's use of the going concern basis of accounting but adequate disclosure of a material uncertainty is not made in the financial statements.

Considerations When the Auditor Disclaims an Opinion on the Financial Statements (Ref: Para. 36)

A82. In situations involving multiple uncertainties that are significant to the financial statements as a whole, the auditor may consider it appropriate, in extremely rare circumstances, to express a disclaimer of opinion in accordance with paragraph 36. ISA 705 (Revised) provides guidance on this issue.³⁵

A83. Paragraph 36 prohibits including separate sections on Going Concern or Material Uncertainty Related to Going Concern in the auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation, as this would be inconsistent with the disclaimer of opinion on the financial statements as a whole and may suggest that the financial statements as a whole are more credible in relation to those matters. When the auditor disclaims an opinion, ISA 705 (Revised)³⁶ requires the auditor to state in the Basis for Disclaimer of Opinion section of the auditor's report that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Providing such a statement in the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users that may guard against inappropriate reliance on the financial statements.

Use of Going Concern Basis of Accounting is Inappropriate (Ref: Para. 37)

A84. If the financial statements have been prepared using the going concern basis of accounting but, in the auditor's judgment, management's use of the going concern basis of accounting in the financial statements is inappropriate, the requirement in paragraph 37 for the auditor to express an adverse opinion applies regardless of whether or not the financial statements include disclosure of the inappropriateness of management's use of the going concern basis of accounting.

A85. When the use of the going concern basis of accounting is not appropriate in the circumstances, management may be required, or may elect, to prepare the financial statements on another basis (e.g., liquidation basis). The auditor may be able to perform an audit of those financial statements provided that the auditor determines that the other basis of accounting is acceptable in the

³⁵ ISA 705 (Revised), paragraph 10

³⁶ ISA 705 (Revised), paragraph 19

circumstances. The auditor may be able to express an unmodified opinion on those financial statements, provided there is adequate disclosure therein about the basis of accounting on which the financial statements are prepared, but may consider it appropriate or necessary to include an Emphasis of Matter paragraph in accordance with ISA 706 (Revised)³⁷ in the auditor’s report to draw the intended user’s attention to that alternative basis of accounting and the reasons for its use.

Written Representations (Ref: Para. 38)

A86. The auditor may consider it appropriate to obtain specific written representations in addition to those required in paragraph 38 in support of audit evidence obtained regarding management’s plans for future actions in relation to its going concern assessment. For example, if the auditor obtains written confirmation as described in paragraph A52 from a related party, including the entity’s owner-manager, the auditor may still request written representation from management as to the validity of the written confirmation.

Communication with Those Charged with Governance (Ref: Para. 39)

A87. ISA 260 (Revised)³⁸ explains that timely communication throughout the audit contributes to the achievement of robust two-way dialogue between those charged with governance and the auditor. The appropriate timing for communications will vary with the circumstances of the engagement, including the significance and nature of the matter, and the action expected to be taken by those charged with governance.

Example:

When events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern, prompt communication with those charged with governance may provide them with an opportunity to provide further clarification where necessary. This also enables those charged with governance to consider whether new or enhanced disclosures may be necessary (e.g., in relation to the mitigating factors in management’s plans for future actions that are of significance to overcoming the adverse effects of the events or conditions).

A88. Communication with those charged with governance about the audit procedures performed provides an opportunity for those charged with governance to understand the auditor’s work that forms the basis for the auditor’s conclusions, and where applicable, the implications for the auditor’s report. Examples of matters the auditor may communicate with those charged with governance include:

Examples:

- The auditor’s views about the appropriateness of the disclosures in the financial statements in view of the recognition, measurement and presentation requirements of the applicable financial reporting framework.
- Whether management has applied appropriate specialized skills or knowledge or engaged appropriate experts in making its assessment of the entity’s ability to continue as a going concern.

³⁷ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*

³⁸ ISA 260 (Revised), paragraph A49

- Whether the method used by management to assess the entity's ability to continue as a going concern is appropriate in the context of the nature, conditions and circumstances of the entity or the requirements of the applicable financial reporting framework.
- The auditor's views about the reasonableness of assumptions on which management's assessment is based and the degree of subjectivity involved in the development of the assumptions.
- Whether assumptions are consistent with those used for other areas of the entity's business activities and whether management has considered alternative assumptions.
- Indicators of possible management bias in management's judgments and assumptions used in its assessment of the entity's ability to continue as a going concern.
- Significant deficiencies in internal control related to management's assessment of going concern (also see paragraphs A26 and A28).

A89. In the case of an entity other than a listed entity, in addition to the required statements to be provided in the auditor's report, when appropriate, the auditor may also communicate with those charged with governance additional matters, for example, describing how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.

Reporting to an Appropriate Authority Outside of the Entity (Ref: Para. 40)

A90. When the auditor includes a separate section with a heading "Material Uncertainty Related to Going Concern" in the auditor's report, or issues a modified opinion in respect of going concern matters, the auditor may be required by law, regulation or relevant ethical requirements to communicate these matters. The reporting may be to applicable regulatory, enforcement, supervisory or other appropriate authority outside of the entity.

Example:

In some jurisdictions, statutory requirements exist that provide early warning procedures for the auditor of a public interest entity to report to a supervisory authority when a material uncertainty exists.

A91. Law, regulation or relevant ethical requirements may not include requirements for the auditor to report to an appropriate authority outside the entity as described in paragraph A90. Nevertheless, law, regulation or relevant ethical requirements may provide the auditor with the right to report the matter to an appropriate authority outside the entity, unless disclosure of the information is precluded by the auditor's duty of confidentiality under law, regulation or relevant ethical requirements.³⁹ In such circumstances, the auditor may also decide to discuss the matter with those charged with governance.

³⁹ For example, paragraph R114.1(d) of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) may permit the disclosure of confidential information when there is a legal or professional duty or right to disclose. Paragraph 114.1 A1(c)(iv) of the IESBA Code explains that there is a professional duty or right to disclose such information to comply with technical and professional standards.

Example:

When auditing the financial statements of a financial institution, the auditor may have the right under law or regulation to discuss with a supervisory authority when a material uncertainty exists.

- A92. Factors the auditor may consider in determining whether it is appropriate to report the matter to an appropriate authority outside the entity, may include:
- Any views expressed by the regulatory, enforcement, supervisory or other appropriate authority outside of the entity.
 - The actual and planned actions taken to address or mitigate the situation.
- A93. Reporting going concern matters to an appropriate authority outside of the entity may involve complex considerations and professional judgments. In those circumstances, the auditor may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The auditor may also consider obtaining legal advice to understand the auditor's options and the professional or legal implications of taking any particular course of action.

Appendix

(Ref: Para. A67, A70, A78, A80–A81)

Illustrations of Independent Auditor's Reports Related to Going Concern

- Illustration 1: An auditor's report of an entity other than a listed entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists.
- Illustration 2: An auditor's report of a listed entity containing an unmodified opinion when the auditor has concluded that no material uncertainty exists and disclosure in the financial statements about the events or conditions that may cast significant doubt on the entity's ability to continue as going concern is adequate.
- Illustration 3: An auditor's report of an entity other than a listed entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 4: An auditor's report of a listed entity containing an unmodified opinion when the auditor has concluded that a material uncertainty exists and disclosure in the financial statements is adequate.
- Illustration 5: An auditor's report of a listed entity containing a qualified opinion when the auditor has concluded that a material uncertainty exists and the financial statements are materially misstated due to inadequate disclosure.
- Illustration 6: An auditor's report of an entity other than a listed entity containing an adverse opinion when the auditor has concluded that a material uncertainty exists and the required disclosures relating to the material uncertainty are omitted in the financial statements.

Illustration 1 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Unmodified Opinion When No Material Uncertainty Exists

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁴⁰ does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.⁴¹**
- **The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

⁴⁰ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁴¹ ISA 210, *Agreeing the Terms of Audit Engagements*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁴²

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[*Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 1 in Appendix 2 of ISA 720 (Revised).*]

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴³

⁴² The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁴³ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).⁴⁴]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁴⁴ Paragraphs 34 and 39 of ISA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 2 – An Auditor’s Report of a Listed Entity Containing an Unmodified Opinion When No Material Uncertainty Exists and Disclosure in the Financial Statements About the Events or Conditions That May Cast Significant Doubt on the Entity’s Ability to Continue as Going Concern Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist.**
- **Management has disclosed information about identified events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the disclosures are adequate in view of the applicable financial reporting framework.**
- **Key audit matters have been communicated in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁴⁵

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

We draw attention to Note X in the financial statements, which describes the political and economic uncertainties faced by the Company and the range of mitigating actions that have been deployed to address the effects on the Company's business activities.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 202X).]

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

[Description of each key audit matter in accordance with ISA 701.]

⁴⁵ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 1 in Appendix 2 of ISA 720 (Revised).]

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴⁶

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).⁴⁷]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁴⁶ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁴⁷ Paragraphs 34 and 39 of ISA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 3 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the financial statements is adequate.**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁴⁸

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we draw attention to Note X in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 1 in Appendix 2 of ISA 720 (Revised).]

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁴⁹

⁴⁸ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁴⁹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).⁵⁰]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵⁰ Paragraphs 34 and 39 of ISA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 4 – An Auditor’s Report of a Listed Entity Containing an Unmodified Opinion When a Material Uncertainty Exists and Disclosure in the Financial Statements Is Adequate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The disclosure of the material uncertainty in the financial statements is adequate.**
- **Key audit matters have been communicated in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and has not yet identified a material misstatement of the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁵¹

Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements present fairly, in all material respects, (*or give a true and fair view of*) the financial position of the Company as at December 31, 20X1, and (*of*) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we draw attention to Note X in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note X, these events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 202X).]

Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to

⁵¹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

be communicated in our report.

[Description of each key audit matter in accordance with ISA 701.]

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 1 in Appendix 2 of ISA 720 (Revised).]

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵²

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).⁵³]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵² Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵³ Paragraphs 34 and 39 of ISA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 5 – An Auditor’s Report of a Listed Entity Containing a Qualified Opinion When a Material Uncertainty Exists and the Financial Statements Are Materially Misstated Due to Inadequate Disclosure

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. Note Y to the financial statements discusses the magnitude of financing arrangements, the expiration and the total financing arrangements; however the financial statements do not include discussion on the impact or the availability of refinancing or characterize this situation as a material uncertainty.**
- **The financial statements are materially misstated due to the inadequate disclosure of the material uncertainty. A qualified opinion is being expressed because the auditor concluded that the effects on the financial statements of this inadequate disclosure are material but not pervasive to the financial statements.**
- **Key audit matters have been communicated in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the qualified opinion on the financial statements also affects the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁵⁴

Qualified Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the incomplete disclosure of the information referred to in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects (or give a true and fair view of), the financial position of the Company as at December 31, 20X1, and (of) its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

As discussed in Note Y, the Company's financing arrangements expire and amounts outstanding are payable on March 19, 20X2. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. The financial statements do not adequately disclose this matter.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, as described in the *Basis for Qualified Opinion* section of our report, a material uncertainty exists that has not been adequately disclosed in the financial statements.

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 6 in Appendix 2 of ISA 720 (Revised). The last paragraph of the other information section in Illustration 6 would be customized to describe the specific matter giving rise to the qualified opinion that also affects the other information.]

⁵⁴ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Basis for Qualified Opinion* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA 701.]

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁵⁵

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).⁵⁶]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

The engagement partner on the audit resulting in this independent auditor’s report is *[name]*.

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵⁵ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction

⁵⁶ Paragraphs 34 and 39 of ISA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

Illustration 6 – An Auditor’s Report of an Entity Other Than a Listed Entity Containing an Adverse Opinion When a Material Uncertainty Exists and Is Not Disclosed in the Financial Statements

For purposes of the illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **The financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).**
- **The terms of the audit engagement reflect the description of management’s responsibility for the financial statements in ISA 210.**
- **The relevant ethical requirements that apply to the audit are those of the jurisdiction.**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists. The financial statements omit the required disclosures relating to the material uncertainty. An adverse opinion is being expressed because the effects on the financial statements of such omission are material and pervasive.**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**
- **The auditor has obtained all of the other information prior to the date of the auditor’s report and the matter giving rise to the adverse opinion on the financial statements also affects the other information.**
- **Those responsible for oversight of the financial statements differ from those responsible for the preparation of the financial statements.**
- **In addition to the audit of the financial statements, the auditor has other reporting responsibilities required under local law.**

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁵⁷

Adverse Opinion

We have audited the financial statements of ABC Company (the Company), which comprise the statement of financial position as at December 31, 20X1, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, because of the omission of the information mentioned in the *Basis for Adverse Opinion* section of our report, the accompanying financial statements do not present fairly (*or do not give a true and fair view of*), the financial position of the Company as at December 31, 20X1, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Adverse Opinion

The Company’s financing arrangements expired and the amount outstanding was payable on December 31, 20X1. The Company has been unable to conclude re-negotiations or obtain replacement financing. This situation indicates that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern. The financial statements do not adequately disclose this fact.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in [*jurisdiction*], and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Material Uncertainty Related to Going Concern

We have concluded that managements’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, as described in the *Basis for Adverse Opinion* section of our report, a material uncertainty exists that has not been disclosed in the financial statements.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised) – see Illustration 7 in Appendix 2 of ISA 720 (Revised). The last paragraph of the other information section in Illustration 7 would be customized to describe the specific matter giving rise to the adverse opinion that also affects the other information.]

Responsibilities of Management and Those Charged with Governance for the Financial

⁵⁷ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Statements⁵⁸

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).⁵⁹]

Auditor’s Responsibilities for the Audit of the Financial Statements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised) – see Illustration 1 in ISA 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

⁵⁸ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

⁵⁹ Paragraphs 34 and 39 of ISA 700 (Revised) require wording to be included in the auditor’s report for all entities in relation to going concern to describe the respective responsibilities of those responsible for the financial statements and the auditor in relation to going concern.

**CONFORMING AND CONSEQUENTIAL AMENDMENTS ARISING FROM
PROPOSED ISA 570 (REVISED 202X) – MARKED FROM EXTANT**

**ISA 200, OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE
CONDUCT OF AN AUDIT IN ACCORDANCE WITH INTERNATIONAL STANDARDS
ON AUDITING**

...

Application and Other Explanatory Material

...

Sufficient Appropriate Audit Evidence and Audit Risk (Ref: Para. 5 and 17)

...

Inherent Limitations of an Audit

...

Other Matters that Affect the Inherent Limitations of an Audit

A53. In the case of certain assertions or subject matters, the potential effects of the inherent limitations on the auditor’s ability to detect material misstatements are particularly significant. Such assertions or subject matters include:

- Fraud, particularly fraud involving senior management or collusion. See ISA 240 for further discussion.
- The existence and completeness of related party relationships and transactions. See ISA 550¹ for further discussion.
- The occurrence of non-compliance with laws and regulations. See ISA 250 (Revised)² for further discussion.
- Future events or conditions that may cause an entity to cease to continue as a going concern. See ISA 570 (Revised 202X)³ for further discussion.

Relevant ISAs identify specific audit procedures to assist in mitigating the effect of the inherent limitations.

...

ISA 210, AGREEING THE TERMS OF AUDIT ENGAGEMENTS

...

Application and Other Explanatory Material

...

¹ ISA 550, *Related Parties*
² ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*
³ ISA 570 (Revised 202X), *Going Concern*

Agreement on Audit Engagement Terms

...

*Audit Engagement Letter or Other Form of Written Agreement*⁴ (Ref: Para. 10–11)

...

Form and Content of the Audit Engagement Letter

A24. The form and content of the audit engagement letter may vary for each entity. Information included in the audit engagement letter on the auditor's responsibilities may be based on ISA 200.⁵ Paragraphs 6(b) and 12 of this ISA deal with the description of the responsibilities of management. In addition to including the matters required by paragraph 10, an audit engagement letter may make reference to, for example:

- Elaboration of the scope of the audit, including reference to applicable legislation, regulations, ISAs, and ethical and other pronouncements of professional bodies to which the auditor adheres.
- The form of any other communication of results of the audit engagement.
- ~~The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with ISA 701.⁶~~
- The fact that because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with ISAs.
- Arrangements regarding the planning and performance of the audit, including the composition of the engagement team.
- The expectation that management will provide written representations (see also paragraph A13).
- The expectation that management will provide access to all information of which management is aware that is relevant to the preparation of the financial statements, including an expectation that management will provide access to information relevant to disclosures.
- The agreement of management to make available to the auditor draft financial statements, including all information relevant to their preparation, whether obtained from within or outside of the general and subsidiary ledgers (including all information relevant to the preparation of disclosures), and the other information,⁷ if any, in time to allow the auditor to complete the audit in accordance with the proposed timetable.

⁴ In the paragraphs that follow, any reference to an audit engagement letter is to be taken as a reference to an audit engagement letter or other suitable form of written agreement.

⁵ ISA 200, paragraphs 3–9.

⁶ ~~ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*~~

⁷ As defined in ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

- The agreement of management to inform the auditor of facts that may affect the financial statements, of which management may become aware during the period from the date of the auditor's report to the date the financial statements are issued.
- The basis on which fees are computed and any billing arrangements.
- A request for management to acknowledge receipt of the audit engagement letter and to agree to the terms of the engagement outlined therein.
- The requirements for the auditor to describe how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 202X).⁸
- The requirement for the auditor to communicate key audit matters in the auditor's report in accordance with ISA 701.⁹

...

Appendix 1

(Ref: Para. A24–A26)

Example of an Audit Engagement Letter

...

[The responsibilities of the auditor]

We will conduct our audit in accordance with ISAs. Those standards require that we comply with ethical requirements. As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

...

- Conclude and report on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.
- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

...

ISA 220 (REVISED), QUALITY MANAGEMENT FOR AN AUDIT OF FINANCIAL STATEMENTS

...

⁸ ISA 570 (Revised 202X), *Going Concern*, paragraphs 33(b) and 34(d)

⁹ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

Application and Other Explanatory Material

...

Engagement Performance

...

Direction, Supervision and Review (Ref: Para. 30)

...

The Engagement Partner's Review (Ref: Para. 30-34)

...

A92. The engagement partner exercises professional judgment in identifying the areas of significant judgment made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgments. Significant judgments in relation to the audit engagement may include matters related to the overall audit strategy and audit plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team, for example:

- Matters related to planning the engagement, such as matters related to determining materiality.
- The composition of the engagement team, including:
 - Personnel using expertise in a specialized area of accounting or auditing;
 - The use of personnel from service delivery centers.
- The decision to involve an auditor's expert, including the decision to involve an external expert.
- The engagement team's consideration of information obtained in the acceptance and continuance process and proposed responses to that information.
- The engagement team's risk assessment process, including situations where consideration of inherent risk factors and the assessment of inherent risk requires significant judgment by the engagement team. The engagement team's consideration of related party relationships and transactions and disclosures.
- Results of the procedures performed by the engagement team on significant areas of the engagement, for example, conclusions in respect of certain accounting estimates, accounting policies or going concern considerations.
- The engagement team's evaluation of the work performed by experts and conclusions drawn therefrom.
- In group audit situations:
 - The proposed overall group audit strategy and group audit plan;
 - Decisions about the involvement of component auditors, including how to direct and supervise them and review their work; and
 - The evaluation of work performed by component auditors and the conclusions drawn therefrom.

- How matters affecting the overall audit strategy and audit plan have been addressed.
- The significance and disposition of corrected and uncorrected misstatements identified during the engagement.
- The proposed audit opinion and matters to be communicated in the auditor's report, for example, key audit matters, or matters related to going concern. ~~a "Material Uncertainty Related to Going Concern" paragraph.~~

...

ISA 230, AUDIT DOCUMENTATION

...

Application and Other Explanatory Material

...

Documentation of the Audit Procedures Performed and Audit Evidence Obtained

...

Documentation of Significant Matters and Related Significant Professional Judgements (Ref: Para. 8(c))

...

A10. Some examples of circumstances in which, in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:

- The rationale for the auditor's conclusion when a requirement provides that the auditor "shall consider" certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the auditor's conclusion on the reasonableness of areas of subjective judgments made by management, for example management's judgments in relation to the going concern basis of accounting.¹⁰
- The basis for the auditor's evaluation of whether an accounting estimate and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.
- The basis for the auditor's conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.
- When ISA 701 applies,¹¹ the auditor's determination of the key audit matters or the determination that there are no key audit matters to be communicated.

...

¹⁰ ISA 570 (Revised 202X), *Going Concern*

¹¹ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

ISA 250 (REVISED), CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF FINANCIAL STATEMENTS

...

Application and Other Explanatory Material

...

The Auditor's Consideration of Compliance with Laws and Regulations

...

Procedures to Identify Instances of Non-Compliance—Other Laws and Regulations (Ref: Para. 6 and 15)

A13. Certain other laws and regulations may need particular attention by the auditor because they have a fundamental effect on the operations of the entity (as described in paragraph 6(b)). Non-compliance with laws and regulations that have a fundamental effect on the operations of the entity may cause the entity to cease operations, or call into question the entity's ~~ability to continue~~ continue as a going concern.¹² For example, non-compliance with the requirements of the entity's license or other entitlement to perform its operations could have such an impact (e.g., for a bank, non-compliance with capital or investment requirements). There are also many laws and regulations relating principally to the operating aspects of the entity that typically do not affect the financial statements and are not captured by the entity's information systems relevant to financial reporting.

...

ISA 260 (REVISED), COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

...

Application and Other Explanatory Material

...

Matters to Be Communicated

...

Significant Findings from the Audit (Ref: Para. 16)

...

Significant Difficulties Encountered during the Audit (Ref: Para. 16(b))

A21. Significant difficulties encountered during the audit may include such matters as:

- Significant delays by management, the unavailability of entity personnel, or an unwillingness by management to provide information necessary for the auditor to perform the auditor's procedures.

¹² See ISA 570 (Revised 202X), *Going Concern*

- An unreasonably brief time within which to complete the audit.
- Extensive unexpected effort required to obtain sufficient appropriate audit evidence.
- The unavailability of expected information.
- Restrictions imposed on the auditor by management.
- Management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern when requested.¹³

In some circumstances, such difficulties may constitute a scope limitation that leads to a modification of the auditor's opinion.¹⁴

...

Circumstances that Affect the Form and Content of the Auditor's Report (Ref: Para 16(d))

...

A24. Circumstances in which the auditor is required or may otherwise consider it necessary to include additional information in the auditor's report in accordance with the ISAs, and for which communication with those charged with governance is required, include when, for example:

- The auditor expects to modify the opinion in the auditor's report in accordance with ISA 705 (Revised).¹⁵
- A material uncertainty related to going concern is reported in accordance with ISA 570 (Revised 202X).¹⁶
- Key audit matters are communicated in accordance with ISA 701.¹⁷
- The auditor considers it necessary to include an Emphasis of Matter paragraph or Other Matter paragraph in accordance with ISA 706 (Revised)¹⁸ or is required to do so by other ISAs.
- The auditor has concluded that there is an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised).¹⁹

In such circumstances, the auditor may consider it useful to provide those charged with governance with a draft of the auditor's report to facilitate a discussion of how such matters will be addressed in the auditor's report.

...

¹³ See ISA 570 (Revised 202X), *Going Concern*, paragraph 39(e)

¹⁴ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁵ ISA 705 (Revised), paragraph 30

¹⁶ ISA 570 (Revised 202X), *Going Concern*, paragraph 39(f), ~~25(d)~~

¹⁷ ISA 701, paragraph 17

¹⁸ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraph 12

¹⁹ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph 18(a)

Appendix 1

(Ref: Para. 3)

Specific Requirements in ISQM 1 and Other ISAs that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ISQM 1²⁰ and other ISAs that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* – paragraph 34(e)
- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraphs 22, 39(c)(i) and 41–43
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraphs 15, 20 and 23–25
- ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management* – paragraph 9
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraphs 12–13
- ISA 505, *External Confirmations* – paragraph 9
- ISA 510, *Initial Audit Engagements—Opening Balances* – paragraph 7
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 38
- ISA 550, *Related Parties* – paragraph 27
- ISA 560, *Subsequent Events* – paragraphs 7(b)–(c), 10(a), 13(b), 14(a) and 17
- ISA 570 (Revised 202X), *Going Concern* – paragraph 39~~25~~
- ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* – paragraph 57
- ISA 610 (Revised 2013), *Using the Work of Internal Auditors* – paragraphs 20 and 31
- ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements* – paragraph 46.
- ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report* – paragraph 17
- ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report* – paragraphs 12, 14, 23 and 30
- ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* – paragraph 12
- ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* – paragraph 18
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraphs 17–19

²⁰ ISQC 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

...

ISA 315 (REVISED 2019), IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT

...

Application and Other Explanatory Material

...

Risk Assessment Procedures and Related Activities (Ref: Para. 13-18)

A11. The risks of material misstatement to be identified and assessed include both those due to fraud and those due to error, and both are covered by this ISA. However, the significance of fraud is such that further requirements and guidance are included in ISA 240 in relation to risk assessment procedures and related activities to obtain information that is used to identify and assess the risks of material misstatement due to fraud.²¹ In addition, the following ISAs provide further requirements and guidance on identifying and assessing risks of material misstatement regarding specific matters or circumstances:

- ISA 540 (Revised)²² in regard to accounting estimates;
- ISA 550 in regard to related party relationships and transactions;
- ISA 570 (Revised 202X)²³ in regard to going concern; and
- ISA 600 (Revised)²⁴ in regard to group financial statements.

...

Evaluating the control environment (Ref: Para 21(b))

...

Information obtained from outside of the general and subsidiary ledgers

A138. Financial statements may contain information that is obtained from outside of the general and subsidiary ledgers. Examples of such information that the auditor may consider include:

- Information obtained from lease agreements relevant to disclosures in the financial statements.
- Information disclosed in the financial statements that is produced by an entity's risk management system.
- Fair value information produced by management's experts and disclosed in the financial statements.
- Information disclosed in the financial statements that has been obtained from models, or from other calculations used to develop accounting estimates recognized or disclosed in the

²¹ ISA 240, paragraphs 12–27

²² ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

²³ ISA 570 (Revised 202X), *Going Concern*

²⁴ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

financial statements, including information relating to the underlying data and assumptions used in those models, such as:

- Assumptions developed internally that may affect an asset's useful life; or
- Data such as interest rates that are affected by factors outside the control of the entity.
- Information disclosed in the financial statements about sensitivity analyses derived from financial models that demonstrates that management has considered alternative assumptions.
- Information recognized or disclosed in the financial statements that has been obtained from an entity's tax returns and records.
- Information disclosed in the financial statements that has been obtained from analyses prepared to support management's assessment of the entity's ability to continue as a going concern, such as disclosures, if any, related to events or conditions that have been identified that may cast significant doubt on the entity's ability to continue as a going concern.²⁵

...

Identifying and Assessing Risks of Material Misstatement at the Financial Statement Level

A195. Risks of material misstatement at the financial statement level refer to risks that relate pervasively to the financial statements as a whole, and potentially affect many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the class of transactions, account balance or disclosure level (e.g., risk of management override of controls). Rather, they represent circumstances that may pervasively increase the risks of material misstatement at the assertion level. The auditor's valuation of whether risks identified relate pervasively to the financial statements supports the auditor's assessment of the risks of material misstatement at the financial statement level. In other cases, a number of assertions may also be identified as susceptible to the risk, and may therefore affect the auditor's risk identification and assessment of risks of material misstatement at the assertion level.

Example:

The entity faces operating losses and liquidity issues and is reliant on funding that has not yet been secured. In such a circumstance, the auditor may ~~determine~~ conclude that management's use of the going concern basis of accounting gives rise to a risk of material misstatement at the financial statement level. In this situation, the accounting framework may need to be applied using a liquidation basis, which would likely affect all assertions pervasively.

...

Appendix 1

(Ref: Para. A61-A67)

Considerations for Understanding the Entity and its Business Model

...

²⁵ ISA 570 (Revised 202X), paragraphs 31-32~~19-20~~

Objectives and Scope of an Entity's Business Model

...

4. A business risk may have an immediate consequence for the risk of material misstatement for classes of transactions, account balances, and disclosures at the assertion level or the financial statement level. For example, the business risk arising from a significant fall in real estate market values may increase the risk of material misstatement associated with the valuation assertion for a lender of medium-term real estate backed loans. However, the same risk, particularly in combination with a severe economic downturn that concurrently increases the underlying risk of lifetime credit losses on its loans, may also have a longer-term consequence. The resulting net exposure to credit losses may indicate an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. If so, this could have implications for management's, and the auditor's, conclusion as to the appropriateness of the entity's use of the going concern basis of accounting, and ~~determination~~ conclusion as to whether a material uncertainty exists. Whether a business risk may result in a risk of material misstatement is, therefore, considered in light of the entity's circumstances. Examples of events and conditions that may give rise to the existence of risks of material misstatement are indicated in **Appendix 2**.

...

ISA 450, EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT

...

Application and Other Explanatory Material

...

Evaluating the Effect of Uncorrected Misstatements (Ref: Para. 10–11)

...

- A17. In addition, each individual misstatement of a qualitative disclosure is considered to evaluate its effect on the relevant disclosure(s), as well as its overall effect on the financial statements as a whole. The determination of whether a misstatement(s) in a qualitative disclosure is material, in the context of the applicable financial reporting framework and the specific circumstances of the entity, is a matter that involves the exercise of professional judgment. Examples where such misstatements may be material include:
- Inaccurate or incomplete descriptions of information about the objectives, policies and processes for managing capital for entities with insurance and banking activities.
 - The omission of information about the events or circumstances that have led to an impairment loss (e.g., a significant long-term decline in the demand for a metal or commodity) in an entity with mining operations.
 - Inadequate disclosures about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.²⁶
 - The incorrect description of an accounting policy relating to a significant item in the statement

²⁶ ISA 570 (Revised 202X), *Going Concern*, paragraph 31

of financial position, the statement of comprehensive income, the statement of changes in equity or the statement of cash flows.

- The inadequate description of the sensitivity of an exchange rate in an entity that undertakes international trading activities.

...

ISA 500, AUDIT EVIDENCE

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) explains what constitutes audit evidence in an audit of financial statements, and deals with the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.
2. This ISA is applicable to all the audit evidence obtained during the course of the audit. Other ISAs deal with specific aspects of the audit (for example, ISA 315 (Revised) ²⁷), the audit evidence to be obtained in relation to a particular topic (for example, ISA 570 (Revised 202X) ²⁸), specific procedures to obtain audit evidence (for example, ISA 520²⁹), and the evaluation of whether sufficient appropriate audit evidence has been obtained (ISA 200³⁰ and ISA 330³¹).

...

ISA 510, INITIAL AUDIT ENGAGEMENTS – OPENING BALANCES

...

Application and Other Explanatory Material

...

Appendix

(Ref: Para A8)

Illustrations of Auditors' Reports with Modified Opinions

Note: Throughout these illustrative auditor's reports, the Opinion section has been positioned first in accordance with ISA 700 (Revised), and the Basis for Opinion section is positioned immediately after the Opinion section. Also, the first and last sentence that was included in the extant auditor's responsibilities section is now subsumed as part of the new Basis for Opinion section.

²⁷ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*

²⁸ ISA 570 (Revised 202X), *Going Concern*

²⁹ ISA 520, *Analytical Procedures*

³⁰ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

³¹ ISA 330, *The Auditor's Responses to Assessed Risks*

Illustration 1:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)³² does not apply).**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).³³**

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements³⁴

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Other Matter

...

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

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

³³ ISA 570 (Revised 202X), *Going Concern*

³⁴ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

...

Independent Auditor's Report

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements³⁵

Opinions

...

Basis for Opinions, Including Basis for Qualified Opinion on the Financial Performance and Cash Flows

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Other Matter

...

ISA 540 (REVISED), AUDITING ACCOUNTING ESTIMATES AND RELATED DISCLOSURES

...

Application and Other Explanatory Material

...

Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 4, 16)

...

Estimation Uncertainty (Ref: Para. 16(a))

...

³⁵ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

A75. In some cases, the estimation uncertainty relating to an accounting estimate may affect the auditor's professional judgment as to whether a material uncertainty exists related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern. ISA 570 (Revised 202X)³⁶ establishes requirements and provides guidance in such circumstances.

...

Indicators of Possible Management Bias (Ref: Para. 32)

...

A135. Indicators of possible management bias may affect the auditor's conclusion as to whether the auditor's risk assessment and related responses remain appropriate. The auditor may also need to consider the implications for other aspects of the audit,³⁷ including the need to further question the appropriateness of management's judgments in making accounting estimates. Further, indicators of possible management bias may affect the auditor's conclusion as to whether the financial statements as a whole are free from material misstatement, as discussed in ISA 700 (Revised).³⁸

...

ISA 560, SUBSEQUENT EVENTS

...

Application and Other Explanatory Material

...

Events Occurring between the Date of the Financial Statements and the Date of the Auditor's Report (Ref: Para. 6–9)

...

Inquiry (Ref: Para. 7(b))

A9. In inquiring of management and, where appropriate, those charged with governance, as to whether any subsequent events have occurred that might affect the financial statements, the auditor may inquire as to the current status of items that were accounted for on the basis of preliminary or inconclusive data and may make specific inquiries about the following matters:

- Whether new commitments, borrowings or guarantees have been entered into.
- Whether sales or acquisitions of assets have occurred or are planned.
- Whether there have been increases in capital or issuance of debt instruments, such as the issue of new shares or debentures, or an agreement to merge or liquidate has been made or is planned.
- Whether any assets have been appropriated by government or destroyed, for example, by fire or flood.

³⁶ ISA 570; (Revised 202X), *Going Concern*

³⁷ ISA 570 (Revised 202X), paragraphs A57-A60

³⁸ ISA 700 (Revised), paragraph 11

- Whether there have been any developments regarding contingencies.
- Whether any unusual accounting adjustments have been made or are contemplated.
- Whether any events have occurred or are likely to occur that will bring into question the appropriateness of accounting policies used in the financial statements, as would be the case, for example, if such events call into question the appropriateness of management's use of the validity of the going concern basis of accounting in the preparation of the financial statements assumption.
- Whether any events have occurred that are relevant to the measurement of estimates or provisions made in the financial statements.
- Whether any events have occurred that are relevant to the recoverability of assets.

...

ISA 580, WRITTEN REPRESENTATION

...

Appendix 1

(Ref: Para 2)

List of ISAs Containing Requirements for Written Representations

This appendix identifies paragraphs in other ISAs that require subject-matter specific written representations. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* – paragraph 40
- ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements* – paragraph 17
- ISA 450, *Evaluation of Misstatements Identified during the Audit* – paragraph 14
- ISA 501, *Audit Evidence—Specific Considerations for Selected Items* – paragraph 12
- ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* – paragraph 37
- ISA 550, *Related Parties* – paragraph 26
- ISA 560, *Subsequent Events* – paragraph 9
- ISA 570 (Revised 202X), *Going Concern* – paragraph ~~3816(e)~~
- ISA 710, *Comparative Information—Corresponding Figures and Comparative Financial Statements* – paragraph 9
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* – paragraph 13(c)

...

Appendix 2

(Ref: Para A21)

Illustrative Representation Letter

The following illustrative letter includes written representations that are required by this and other ISAs. It is assumed in this illustration that the applicable financial reporting framework is International Financial Reporting Standards; the requirement of ISA 570 (Revised 202X)³⁹ to obtain a written representation is not relevant; and that there are no exceptions to the requested written representations. If there were exceptions, the representations would need to be modified to reflect the exceptions.

...

ISA 600 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF GROUP FINANCIAL STATEMENTS (INCLUDING THE WORK OF COMPONENT AUDITORS)

...

Requirements

...

Understanding the Group and its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control

...

Considerations When Component Auditors Are Involved

31. The group auditor shall communicate to component auditors on a timely basis: (Ref: Para. A106)
- (a) Matters that the group auditor determines to be relevant to the component auditor's design or performance of risk assessment procedures for the purposes of the group audit;
 - (b) In applying ISA 550,⁴⁰ related party relationships or transactions identified by group management, and any other related parties of which the group auditor is aware, that are relevant to the work of the component auditor; and (Ref: Para. A107)
 - (c) In applying ISA 570 (Revised 202X),⁴¹ events or conditions identified by group management or the group auditor, that may cast significant doubt on the group's ability to continue as a going concern that are relevant to the work of the component auditor.

...

³⁹ ISA 570 (Revised 202X), *Going Concern*

⁴⁰ ISA 550, *Related Parties*, paragraph 17

⁴¹ ISA 570 (Revised 202X), *Going Concern*

Appendix 1

(Ref: Para. A42)

Illustration of Independent Auditor's Report Where the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).

...

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).

- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.⁴²

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁴³

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

...

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

⁴² ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

⁴³ The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

...

ISA 610 (REVISED 2013), USING THE WORK OF INTERNAL AUDITORS

...

Application and Other Explanatory Material

...

Determining the Nature and Extent of Work of the Internal Audit Function that Can Be Used

Factors Affecting the Determination of the Nature and Extent of the Work of the Internal Audit Function that Can Be Used (Ref: Para. 17–19)

...

Judgments in planning and performing audit procedures and evaluating results (Ref: Para. 18(a), 30(a))

...

A19. Since the external auditor has sole responsibility for the audit opinion expressed, the external auditor needs to make the significant judgments in the audit engagement in accordance with paragraph 18. Significant judgments include the following:

- Assessing the risks of material misstatement;
- Evaluating the sufficiency of tests performed;
- Evaluating the appropriateness of management's use of the going concern ~~assumption~~ basis of accounting;
- Evaluating significant accounting estimates; and
- Evaluating the adequacy of disclosures in the financial statements, and other matters affecting the auditor's report.

...

ISA 700 (REVISED), FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

...

Requirements

...

Auditor's Report

...

Auditor's Report for Audits Conducted in Accordance with International Standards on Auditing

...

Going Concern

29. ~~Where applicable, t~~The auditor shall report in accordance with ISA 570 (Revised 202X).⁴⁴

...

Responsibilities for the Financial Statements

...

34. This section of the auditor's report shall describe management's responsibility for: (Ref: Para. A45–A48)

- (a) Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (b) Assessing the entity's ability to continue as a going concern⁴⁵ and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management's responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate. (Ref: Para. A48)

...

Auditor's Report Prescribed by Law or Regulation

50. If the auditor is required by law or regulation of a specific jurisdiction to use a specific layout, or wording of the auditor's report, the auditor's report shall refer to International Standards on Auditing only if the auditor's report includes, at a minimum, each of the following elements: (Ref: Para. A70–A71)

- (a) A title.
- (b) An addressee, as required by the circumstances of the engagement.
- (c) An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards, see paragraph 27).
- (d) An identification of the entity's financial statements that have been audited.
- (e) A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the IESBA Code.
- (f) ~~Where applicable, a~~ section that addresses, and is not inconsistent with, the reporting requirements in paragraphs 33–34 and 35(c)~~22~~ of ISA 570 (Revised 202X).

⁴⁴ ISA 570 (Revised 202X), *Going Concern*, paragraphs 33–37~~21–23~~

⁴⁵ ISA 570 (Revised 202X), paragraph 2

- (g) Where applicable, a Basis for Qualified (~~or~~Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements in paragraph ~~35(b)23~~ of ISA 570 (Revised 202X).
- (h) Where applicable, a section that includes the information required by ISA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that ISA.⁴⁶ (Ref: Para. A72–A75)
- (i) Where applicable, a section that addresses the reporting requirements in paragraph 24 of ISA 720 (Revised).
- (j) A description of management’s responsibilities for the preparation of the financial statements and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements in paragraphs 33–36.
- (k) A reference to International Standards on Auditing and the law or regulation, and a description of the auditor’s responsibilities for an audit of the financial statements that addresses, and is not inconsistent with, the requirements in paragraphs 37–40. (Ref: Para. A50–A53)
- (l) For audits of complete sets of general purpose financial statements of listed entities, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant personal security threat.
- (m) The auditor’s signature.
- (n) The auditor’s address.
- (o) The date of the auditor’s report.

...

Appendix

(Ref: Para A19)

Illustrations of Independent Auditor’s Reports on Financial Statements

...

Illustration 1 – Auditor’s Report on Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

⁴⁶ ISA 701, paragraphs 11-16

- **Key Audit Matters have been communicated in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁴⁷

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Key Audit Matters

...

Illustration 2 – Auditor's Report on Consolidated Financial Statements of a Listed Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

- **Key Audit Matters have been communicated in accordance with ISA 701.**

...

⁴⁷ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁴⁸

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

...

Key Audit Matters

...

Illustration 3 – Auditor's Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a Fair Presentation Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **The auditor is not required, and has not otherwise decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

⁴⁸ The sub-title "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

Illustration 4 – Auditor's Report on Financial Statements of an Entity Other than a Listed Entity Prepared in Accordance with a General Purpose Compliance Framework

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity required by law or regulation. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **The auditor is not required, and has not otherwise decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a

material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Other Information [or another title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

ISA 701, COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

Introduction

Scope of this ISA

...

4. Communicating key audit matters in the auditor's report is in the context of the auditor having formed an opinion on the financial statements as a whole. Communicating key audit matters in the auditor's report is not:
 - (a) A substitute for disclosures in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation;
 - (b) A substitute for the auditor expressing a modified opinion when required by the circumstances of a specific audit engagement in accordance with ISA 705 (Revised);⁴⁹
 - (c) A substitute for reporting in accordance with ISA 570 (Revised 202X);⁵⁰ ~~when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern;~~
 - (d) A separate opinion on individual matters. (Ref: Para. A5-A8)

...

Requirements

...

Communicating Key Audit Matters

...

Interaction between Descriptions of Key Audit Matters and Other Elements Required to Be Included in the Auditor's Report

15. A matter giving rise to a modified opinion in accordance with ISA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 202X), are by their nature key

⁴⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

⁵⁰ ISA 570 (Revised 202X), *Going Concern*, paragraphs 33-37~~22-23~~

audit matters. However, in such circumstances, these matters shall not be described in the Key Audit Matters section of the auditor's report and the requirements in paragraphs 13–14 do not apply. Rather, the auditor shall:

- (a) Report on these matter(s) in accordance with the applicable ISA(s); and
- (b) Include a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s) in the Key Audit Matters section. (Ref: Para. A6–A7)

...

Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 2)

...

Communicating Key Audit Matters

...

Reference to Where the Matter is Disclosed in the Financial Statements (Ref: Para. 13)

...

A41. In addition to referring to related disclosure(s), the auditor may draw attention to key aspects of them. The extent of disclosure by management about specific aspects or factors in relation to how a particular matter is affecting the financial statements of the current period may help the auditor in pinpointing particular aspects of how the matter was addressed in the audit such that intended users can understand why the matter is a key audit matter. For example: ~~When~~ when an entity includes robust disclosure about accounting estimates, the auditor may draw attention to the disclosure of key assumptions, the disclosure of the range of possible outcomes, and other qualitative and quantitative disclosures relating to key sources of estimation uncertainty or critical accounting estimates, as part of addressing why the matter was one of most significance in the audit and how the matter was addressed in the audit.

- ~~When the auditor concludes in accordance with ISA 570 (Revised) that no material uncertainty exists relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the auditor may nevertheless determine that one or more matters relating to this conclusion arising from the auditor's work effort under ISA 570 (Revised) are key audit matters. In such circumstances, the auditor's description of such key audit matters in the auditor's report could include aspects of the identified events or conditions disclosed in the financial statements, such as substantial operating losses, available borrowing facilities and possible debt refinancing, or non-compliance with loan agreements, and related mitigating factors.~~⁵⁴

...

⁵⁴ See paragraph A3 of ISA 570 (Revised).

ISA 705 (REVISED), MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

...

Requirements

...

Form and Content of the Auditor's Report When the Opinion Is Modified

Auditor's Opinion

...

Disclaimer of Opinion

19. When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall:
- (a) State that the auditor does not express an opinion on the accompanying financial statements;
 - (b) State that, because of the significance of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor has not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and
 - (c) Amend the statement required by paragraph 24(b) of ISA 700 (Revised), which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements.
 - (d) State that the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

...

Considerations When the Auditor Disclaims an Opinion on the Financial Statements

29. Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include a section on:
- (a) a Key Audit Matters ~~section~~ in accordance with ISA 701;⁵²
 - (b) Going Concern in accordance with ISA 570 (Revised 202X);⁵³
 - (c) Material Uncertainty Related to Going Concern in accordance with ISA 570 (Revised 202X);⁵⁴
and
 - (d) ~~An Other Information section~~ in accordance with ISA 720 (Revised).⁵⁵⁵⁶ (Ref: Para. A26)

⁵² ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraphs 11–13

⁵³ ISA 570 (Revised 202X), *Going Concern*, paragraph 33

⁵⁴ ISA 570 (Revised 202X), *Going Concern*, paragraphs 34–35

⁵⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraphs 11–13

⁵⁶ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph A54

...

Application and Other Explanatory Material

...

Form and Content of the Auditor's Report When the Opinion Is Modified

Illustrative Auditor's Reports (Ref: Para. 16)

- A17. Illustrations 1 and 2 in the Appendix contain auditor's reports with qualified and adverse opinions, respectively, as the financial statements are materially misstated.
- A18. Illustration 3 in the Appendix contains an auditor's report with a qualified opinion as the auditor is unable to obtain sufficient appropriate audit evidence. Illustration 4 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about a single element of the financial statements. Illustration 5 contains a disclaimer of opinion due to an inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements. In each of the latter two cases, the possible effects on the financial statements of the inability are both material and pervasive. The Appendices to other ISAs that include reporting requirements, including ISA 570 (Revised 202X),⁶⁷ also include illustrations of auditor's reports with modified opinions.

...

Considerations When the Auditor Disclaims an Opinion on the Financial Statements (Ref: Para. 29)

- A26. Providing the reasons for the auditor's inability to obtain sufficient appropriate audit evidence within the Basis for Disclaimer of Opinion section of the auditor's report provides useful information to users in understanding why the auditor has disclaimed an opinion on the financial statements and may further guard against inappropriate reliance on them. However, communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion may suggest that the financial statements as a whole are more credible in relation to those matters than would be appropriate in the circumstances, and would be inconsistent with the disclaimer of opinion on the financial statements as a whole. Similarly, it would not be appropriate to include an Other Information section in accordance with ISA 720 (Revised) addressing the auditor's consideration of the consistency of the other information with the financial statements. Accordingly, paragraph 29 of this ISA prohibits a ~~Key Audit Matters section or an Other Information~~ certain sections from being included in the auditor's report when the auditor disclaims an opinion on the financial statements, unless the auditor is otherwise required by law or regulation to communicate key audit matters or to report on other information.

...

Appendix

(Ref: Para A17-A18, A25)

Illustrations of Independent Auditor's Reports with Modifications to the Opinion

...

⁶⁷—ISA 570 (Revised), *Going Concern*

Illustration 1 – Qualified Opinion due to a Material Misstatement of the Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁵⁸ does not apply).**
...
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **Key audit matters have been communicated in accordance with ISA 701.**
...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁵⁹

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

...

Other Information [or other title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Key Audit Matters

...

⁵⁸ ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁵⁹ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Illustration 2 – Adverse Opinion due to a Material Misstatement of the Consolidated Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).
- ...
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).
- ISA 701 applies; however, the auditor has determined that there are no key audit matters other than the matter described in the Basis for Adverse Opinion section.
- ...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁶⁰

Adverse Opinion

...

Basis for Adverse Opinion

...

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

...

Other Information [or other title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Key Audit Matters

...

⁶⁰ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Illustration 3 – Qualified Opinion due to the Auditor’s Inability to Obtain Sufficient Audit Evidence Regarding a Foreign Associate

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).
- ...
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).
- Key audit matters have been communicated in accordance with ISA 701.
- ...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁶¹

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

...

Other Information [or other title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Key Audit Matters

...

⁶¹ The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

Illustration 4 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about a Single Element of the Consolidated Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).**

...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁶²

Disclaimer of Opinion

...

Basis for Disclaimer of Opinion

The Group’s investment in its joint venture XYZ Company is carried at xxx on the Group’s consolidated statement of financial position, which represents over 90% of the Group’s net assets as at December 31, 20X1. We were not allowed access to the management and the auditors of XYZ Company, including XYZ Company’s auditors’ audit documentation. As a result, we were unable to determine whether any adjustments were necessary in respect of the Group’s proportional share of XYZ Company’s assets that it controls jointly, its proportional share of XYZ Company’s liabilities for which it is jointly responsible, its proportional share of XYZ’s income and expenses for the year, and the elements making up the consolidated statement of changes in equity and the consolidated cash flow statement.

We are unable to conclude on the appropriateness of management’s use of the going concern basis of accounting in the preparation of the consolidated financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

...

Illustration 5 – Disclaimer of Opinion due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised), does not apply).**

...

⁶² The sub-title “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Financial Statements⁶³

Disclaimer of Opinion

...

Basis for Disclaimer of Opinion

We were not appointed as auditors of the Company until after December 31, 20X1 and thus did not observe the counting of physical inventories at the beginning and end of the year. We were unable to satisfy ourselves by alternative means concerning the inventory quantities held at December 31, 20X0 and 20X1, which are stated in the statements of financial position at xxx and xxx, respectively. In addition, the introduction of a new computerized accounts receivable system in September 20X1 resulted in numerous errors in accounts receivable. As of the date of our report, management was still in the process of rectifying the system deficiencies and correcting the errors. We were unable to confirm or verify by alternative means accounts receivable included in the statement of financial position at a total amount of xxx as at December 31, 20X1. As a result of these matters, we were unable to determine whether any adjustments might have been found necessary in respect of recorded or unrecorded inventories and accounts receivable, and the elements making up the statement of comprehensive income, statement of changes in equity and statement of cash flows.

We are unable to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

ISA 706 (REVISED), EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

Introduction

Scope of this ISA

...

3. ISA 570 (Revised 202X)⁶⁴ and ISA 720 (Revised)⁶⁵ establishes requirements and provides guidance about communication in the auditor's report relating to going concern and other information respectively.

...

⁶³ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁶⁴ ISA 570 (Revised 202X), *Going Concern*

⁶⁵ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

Application and Other Explanatory Material

...

Circumstances in Which an Emphasis of Matter Paragraph May Be Necessary (Ref: Para. 4, 8)

...

A5. Examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph are:

- An uncertainty relating to the future outcome of exceptional litigation or regulatory action, that is not an event or condition that may cast significant doubt on the entity's ability to continue as a going concern.
- A significant subsequent event that occurs between the date of the financial statements and the date of the auditor's report.⁶⁶
- Early application (where permitted) of a new accounting standard that has a material effect on the financial statements.
- A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position.

...

Including an Emphasis of Matter Paragraph in the Auditor's Report (Ref: Para. 9)

...

A7. The inclusion of an Emphasis of Matter paragraph in the auditor's report does not affect the auditor's opinion. An Emphasis of Matter paragraph is not a substitute for:

- (a) A modified opinion in accordance with ISA 705 (Revised) when required by the circumstances of a specific audit engagement;
- (b) Disclosures in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation; or
- (c) Reporting in accordance with ISA 570 (Revised 202X).⁶⁷ ~~when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern.~~

...

Placement of Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Auditor's Report (Ref: Para. 9, 11)

A16. The placement of an Emphasis of Matter paragraph or Other Matter paragraph in the auditor's report depends on the nature of the information to be communicated, and the auditor's judgment as to the relative significance of such information to intended users compared to other elements required to be reported in accordance with ISA 700 (Revised). For example:

⁶⁶ ISA 560, paragraph 6

⁶⁷ ISA 570 (Revised 202X), Going Concern, paragraphs ~~33-37~~ 22-23

Emphasis of Matter Paragraphs

- When the Emphasis of Matter paragraph relates to the applicable financial reporting framework, including circumstances where the auditor determines that the financial reporting framework prescribed by law or regulation would otherwise be unacceptable,⁶⁸ the auditor may consider it necessary to place the paragraph immediately following the ~~Basis for Opinion~~ Going Concern or Material Uncertainty Related to Going Concern section to provide appropriate context to the auditor’s opinion.
- When a Key Audit Matters section is presented in the auditor’s report, an Emphasis of Matter paragraph may be presented either directly before or after the Key Audit Matters section, based on the auditor’s judgment as to the relative significance of the information included in the Emphasis of Matter paragraph. The auditor may also add further context to the heading “Emphasis of Matter”, such as “Emphasis of Matter – Subsequent Event”, to differentiate the Emphasis of Matter paragraph from the individual matters described in the Key Audit Matters section.

Other Matter Paragraphs

...

Appendix 3

(Ref: Para A17)

Illustration of an Independent Auditor’s Report that Includes a Key Audit Matters Section, an Emphasis of Matter Paragraph, and an Other Matter Paragraph

...

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁶⁹ does not apply).**

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

...

- **Key audit matters have been communicated in accordance with ISA 701.**

...

⁶⁸ For example, as required by ISA 210, *Agreeing the Terms of Audit Engagements*, paragraph 19 and ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, paragraph 14

⁶⁹ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁷⁰

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Emphasis of Matter⁷¹

...

Key Audit Matters

...

Other Matter

...

Appendix 4

(Ref: Para A8)

Illustration of an Independent Auditor's Report Containing a Qualified Opinion Due to a Departure from the Applicable Financial Reporting Framework and that Includes an Emphasis of Matter Paragraph

...

⁷⁰ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁷¹ As noted in paragraph A16, an Emphasis of Matter paragraph may be presented either directly before or after the Key Audit Matter section based on the auditor's judgement as to the relative significance of the information included in the Emphasis of Matter paragraph.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁷²

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Emphasis of Matter – Effects of a Fire

...

ISA 710, COMPARATIVE INFORMATION—CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

...

Appendix

(Ref: Para A5, A7, A10)

Illustrations of Independent Auditors' Reports

⁷² The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

...

Illustration 1 – Corresponding Figures

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁷³ does not apply).**

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).⁷⁴**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁷⁵

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁷⁶

...

⁷³ ISA 600 (Revised), Special Considerations—*Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁷⁴ ISA 570 (Revised 202X), *Going Concern*

⁷⁵ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁷⁶ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Illustration 2 – Corresponding Figures

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁷⁷

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁷⁸

...

Illustration 3 – Corresponding Figures

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

⁷⁷ The sub-title “Report on the Audit of the Financial Statements” is unnecessary in circumstances when the second sub-title “Report on Other Legal and Regulatory Requirements” is not applicable.

⁷⁸ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- ...
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**
- ...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁷⁹

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Other Matter

...

Illustration 4 – Comparative Financial Statements

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of an entity other than a listed entity using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

⁷⁹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁸⁰

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁸¹

...

ISA 720 (REVISED), THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

...

Application and Other Explanatory Material

...

Reading and Considering the Other Information (Ref: Para. 14-15)

...

⁸⁰ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁸¹ Or other terms that are appropriate in the context of the legal framework of the particular jurisdiction.

Considering Whether There Is a Material Inconsistency between the Other Information and the Auditor's Knowledge Obtained in the Audit (Ref: Para. 14(b))

...

A32. The auditor's knowledge obtained in the audit may also include matters that are prospective in nature. Such matters may include, for example, business prospects and future cash flows that the auditor considered when evaluating the assumptions used by management in performing impairment tests on intangible assets such as goodwill, or when evaluating management's assessment of the entity's ability to continue as a going concern.⁸²

...

Appendix 2

(Ref: Para. 21-22, A53)

Illustration of Independent Auditor's Reports Relating to Other Information

...

Illustration 1 – An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised)⁸³ does not apply).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).⁸⁴
- Key audit matters have been communicated in accordance with ISA 701.⁸⁵

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

⁸² ISA 570 (Revised 202X), *Going Concern*

⁸³ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁸⁴ ISA 570 (Revised 202X), *Going Concern*

⁸⁵ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*. The Key Audit Matters section is required for listed entities only.

Report on the Audit of Financial Statements⁸⁶

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Key Audit Matters⁸⁷

...

Illustration 2 – An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **Key Audit Matters have been communicated in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁸⁸

⁸⁶ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

⁸⁷ The Key Audit Matters section is required for listed entities only.

⁸⁸ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Key Audit Matters

...

Illustration 3 – An auditor's report of an entity other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of an entity other than a listed entity, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Other Information [or other title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

Illustration 4 – An auditor's report of a listed entity containing an unmodified opinion when the auditor has obtained no other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a complete set of financial statements of a listed entity, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).**

...

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

- **Key audit matters have been communicated in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of Financial Statements⁸⁹

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a

⁸⁹ The sub-title "Report on the Audit of the Financial Statements" is unnecessary in circumstances when the second sub-title "Report on Other Legal and Regulatory Requirements" is not applicable.

material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Key Audit Matters

...

Illustration 5 – An auditor's report of any entity, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is not a group audit (i.e., ISA 600 (Revised) does not apply).

...

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).

- Key audit matters have been communicated in accordance with ISA 701.

...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

...

Other Information [or other title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

Illustration 6 – An auditor’s report of any entity, whether listed or other than listed, containing an qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and there is a limitation of scope with respect to a material item in the consolidated financial statements which also affects the other information.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).

...

- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).

- Key audit matters have been communicated in accordance with ISA 701.

...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Qualified Opinion

...

Basis for Qualified Opinion

...

Going Concern

We have concluded that management’s use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern.

...

Other Information [or other title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

...

Illustration 7 – An auditor’s report of any entity, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor’s report and the adverse opinion on the consolidated financial statements also affects the other information.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- **Audit of a complete set of consolidated financial statements of any entity, whether listed or other than listed, using a fair presentation framework. The audit is a group audit (i.e., ISA 600 (Revised) applies).**
- ...
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
- **Key audit matters have been communicated in accordance with ISA 701.**
- ...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Adverse Opinion

...

Basis for Adverse Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.

...

Other Information [or other title if appropriate such as "Information Other than the Financial Statements and Auditor's Report Thereon"]

...

ISA 800 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH SPECIAL PURPOSE FRAMEWORKS

...

Application and Other Explanatory Material

...

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

A13. The Appendix to this ISA contains illustrations of independent auditor's reports on special purpose financial statements. Other illustrations of auditor's reports may be relevant to reporting on special

purpose financial statements (see for example, the Appendices to ISA 700 (Revised), ISA 705 (Revised),⁹⁰ ISA 570 (Revised 202X),⁹¹ ISA 720 (Revised),⁹² and ISA 706 (Revised)).⁹³

Application of ISA 700 (Revised) When Reporting on Special Purpose Financial Statements

...

Going Concern

A15. Special purpose financial statements may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial statements prepared on a tax basis in particular jurisdictions).⁹⁴ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial statements, the description in the auditor's report of management's responsibilities⁹⁵ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities⁹⁶ may also need to be adapted as necessary depending on how ISA 570 (Revised 202X) applies in the circumstances of the engagement.

...

Appendix

(Ref: Para. A14)

Illustrations of Independent Auditor's Reports on Special Purpose Financial Statements

...

Illustration 1: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **The financial statements have been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks.**

...

⁹⁰ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

⁹¹ ISA 570 (Revised 202X), *Going Concern*

⁹² ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*

⁹³ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

⁹⁴ ISA 570 (Revised 202X), paragraph 2

⁹⁵ See ISA 700 (Revised), paragraphs 34(b) and A48.

⁹⁶ See ISA 700 (Revised), paragraph 39(b)(iv).

- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**

...

- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁹⁷

...

Illustration 2: An auditor's report on a complete set of financial statements of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

⁹⁷ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

- **Audit of a complete set of financial statements that have been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist partners in preparing their individual income tax return. Management does not have a choice of financial reporting frameworks.**
...
- **Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X).**
...
- **The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.**
...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Going Concern

We have concluded that management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the audit evidence obtained, we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statements⁹⁸

...

⁹⁸ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Illustration 3: An auditor's report on a complete set of financial statements of a listed entity prepared in accordance with the financial reporting provisions established by a regulator (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a complete set of financial statements of a listed entity that have been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator (that is, a special purpose framework) to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- ...
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists ~~related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X). The disclosure of the material uncertainty in the financial statements is adequate.
- ...
- The auditor is required by the regulator to communicate key audit matters in accordance with ISA 701.
- ...

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, ~~we~~ draw attention to Note ~~6X~~ in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note ~~6X~~, these events or conditions, along with other matters as set forth in Note ~~6X~~, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

[Description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in accordance with ISA 570 (Revised 202X).]

Our opinion is not modified in respect of this matter.

Emphasis of Matter – Basis of Accounting

We draw attention to Note ~~YX~~ to the financial statements, which describes the basis of accounting. The

financial statements are prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material Uncertainty Related to Going Concern section above, we have determined the matters described below to be key audit matters to be communicated in our report.

[Description of each key audit matter in accordance with ISA 701 as applied to this audit.]

Other Matter

...

ISA 805 (REVISED), SPECIAL CONSIDERATIONS—AUDITS OF SINGLE FINANCIAL STATEMENTS AND SPECIFIC ELEMENTS, ACCOUNTS OR ITEMS OF A FINANCIAL STATEMENT

...

Requirements

...

Forming an Opinion and Reporting Considerations

...

Reporting on the Entity's Complete Set of Financial Statements and on a Single Financial Statement or on a Specific Element of Those Financial Statements

...

14. If the auditor's report on an entity's complete set of financial statements includes:

- (a) A modified opinion in accordance with ISA 705 (Revised);⁹⁹
- (b) An Emphasis of Matter paragraph or an Other Matter paragraph in accordance with ISA 706 (Revised);¹⁰⁰
- (c) A Material Uncertainty Related to Going Concern section in accordance with ISA 570 (Revised 202X);¹⁰¹
- (d) Communication of key audit matters in accordance with ISA 701;¹⁰² or

⁹⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹⁰⁰ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

¹⁰¹ ISA 570 (Revised 202X), *Going Concern*, paragraphs 34-35~~22~~

¹⁰² ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13

- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ISA 720 (Revised);¹⁰³

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

...

Application and Other Explanatory Material

...

Considerations When Accepting the Engagement

Application of ISAs (Ref: Para. 7)

...

- A6. Compliance with the requirements of ISAs relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity's complete set of financial statements. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity's complete set of financial statements. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's complete set of financial statements. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain ISAs require audit work that may be disproportionate to the element being audited. For example, although the requirements of ISA 570 (Revised 202X) are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with ISAs may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

...

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the ISAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, ISAs such as ISA 240,¹⁰⁴ ISA 550¹⁰⁵ and ISA 570 (Revised 202X) are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.

...

¹⁰³ ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii)

¹⁰⁴ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

¹⁰⁵ ISA 550, *Related Parties*

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

...

A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ISA 700 (Revised), ISA 705 (Revised), ISA 570 (Revised 202X), ISA 720 (Revised), and ISA 706 (Revised)).

Application of ISA 700 (Revised) When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

...

Going Concern

A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities¹⁰⁶ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities¹⁰⁷ may also need to be adapted as necessary depending on how ISA 570 (Revised 202X) applies in the circumstances of the engagement.

...

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

...

Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- **Audit of a balance sheet (that is, a single financial statement) of an entity other than a listed entity.**
- **The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.**

...

¹⁰⁶ See ISA 700 (Revised), paragraphs 34(b) and A48.

¹⁰⁷ See ISA 700 (Revised), paragraphs 39(b)(iv).

- ~~Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern~~ in accordance with ISA 570 (Revised 202X). The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701 in the context of the audit of the balance sheet.

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Material Uncertainty Related to Going Concern

We have concluded that managements' use of the going concern basis of accounting in the preparation of the financial statement is appropriate. However, ~~we~~ draw attention to Note 6X in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6X, these events or conditions, along with other matters as set forth in Note 6X, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement¹⁰⁸

...

Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a statement of cash and disbursements (that is, a single financial statement) of an entity other than a listed entity.

...

- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.¹⁰⁹

¹⁰⁸ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁰⁹ ISA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

...

- ~~The going concern basis of accounting is not relevant in the preparation of the statement of cash and disbursements. Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).~~
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701 in the context of the audit of the statement of cash receipts and disbursements.

...

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the financial statements may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement¹¹⁰

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

~~In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.~~

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

¹¹⁰ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.¹¹¹
- ~~• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.~~
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

...

¹¹¹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

Illustration 3: An auditor’s report on a specific element of a financial statement of a listed entity prepared in accordance with a special purpose framework.

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement).
- ...
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.¹¹²
- ...
- The going concern basis of accounting is not relevant in the preparation of the accounts receivable schedule. ~~Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ISA 570 (Revised).~~
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701 in the context of the audit of the statement of cash receipts and disbursements.
- ...

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Opinion

...

Basis for Opinion

...

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note x to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Schedule¹¹³

Management is responsible for the preparation of the schedule in accordance with [describe the financial

¹¹² ISA 800 (Revised) contains requirements and guidance on the form and content of financial statements prepared in accordance with a special purpose framework.

¹¹³ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

~~In preparing the schedule, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.~~

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

Paragraph 41(b) of ISA 700 (Revised) explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ISA 700 (Revised) explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.¹¹⁴
- ~~• Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.~~

¹¹⁴ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

...

ISA 810 (REVISED), ENGAGEMENTS TO REPORT ON SUMMARY FINANCIAL STATEMENTS

...

Requirements

...

Auditor's Report on Summary Financial Statements

...

Reference to the Auditor's Report on the Audited Financial Statements (Ref: Para. A23)

19. When the auditor's report on the audited financial statements includes:

- (a) A qualified opinion in accordance with ISA 705 (Revised);¹¹⁵
- (b) An Emphasis of Matter paragraph or an Other Matter paragraph in accordance with ISA 706 (Revised);¹¹⁶
- (c) A Material Uncertainty Related to Going Concern section in accordance with ISA 570 (Revised 202X);¹¹⁷
- (d) A Going Concern section in accordance with ISA 570 (Revised 202X) if events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists;¹¹⁸
- (e) Communication of key audit matters in accordance with ISA 701;¹¹⁹ or
- (f) A statement that describes an uncorrected material misstatement of the other information in

¹¹⁵ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

¹¹⁶ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

¹¹⁷ ISA 570 (Revised 202X), *Going Concern*, paragraphs 34-35²²

¹¹⁸ ISA 570 (Revised 202X), paragraph 33(b)

¹¹⁹ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

accordance with ISA 720 (Revised);¹²⁰

and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial statements, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (i) State that the auditor's report on the audited financial statements includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a *Going Concern* section or a *Material Uncertainty Related to Going Concern* section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
- (ii) Describe: (Ref: Para. A22)
 - a. The basis for the qualified opinion on the audited financial statements and the effect thereof, if any, on the summary financial statements;
 - b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, the *Going Concern* section or the *Material Uncertainty Related to Going Concern* section in the auditor's report on the audited financial statements and the effect(s) thereof, if any, on the summary financial statements;
 - c. The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon. (Ref: Para. A15)

...

Appendix

(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial statements. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial statements from which summary financial statements are derived. The auditor's report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

...

Illustration 1:

Circumstances include the following:

- **An unmodified opinion is expressed on the audited financial statements of a listed entity.**
- ...

¹²⁰ ISA 720 (Revised), *The Auditor's Responsibilities Related to Other Information*

- **The auditor’s report on the audited financial statements includes a *Material Uncertainty Related to Going Concern* section.**
- **The auditor’s report on the audited financial statements includes communication of other key audit matters.¹²¹**

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

[Appropriate Addressee]

Opinion

...

Summary Financial Statements

...

The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated February 15, 20X2. That report also includes:

- *A Material Uncertainty Related to Going Concern* section that:
 - States that we have concluded that managements’ use of the going concern basis of accounting in the preparation of the financial statements is appropriate. However, we draws attention to Note 6X in the audited financial statements. Note 6X of the audited financial statements indicates that ABC Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, ABC Company’s current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6X of the audited financial statements, indicate that a material uncertainty exists that may cast significant doubt on ABC Company’s ability to continue as a going concern. These matters are addressed in Note 5Y of the summary financial statements.¹²²
- The communication of other ¹²³ key audit matters. [Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.] ¹²⁴

...

¹²¹ As explained in paragraph 15 of ISA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor’s report in accordance with paragraphs 36-37 of ISA 570 (Revised 202X).

¹²² The auditor may include additional description about how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern, in accordance with paragraph 33(d) of ISA 570 (Revised 202X)

¹²³ In the circumstances where there is no material uncertainty related to going concern, inclusion of the word “other” in the statement for the communication of key audit matters would not be necessary.

¹²⁴ The auditor may include additional explanation about key audit matters considered helpful to users of the auditor’s report on the summary financial statements.

IAPN 1000, SPECIAL CONSIDERATIONS IN AUDITING FINANCIAL INSTRUMENTS

...

Appendix

(Ref: Para. A14)

Examples of Controls Relating to Financial Instruments

...

17. Financial instruments may have the associated risk that a loss might exceed the amount, if any, of the value of the financial instrument recognized on the balance sheet. For example, a sudden fall in the market price of a commodity may force an entity to realize losses to close a forward position in that commodity due to collateral, or margin, requirements. In some cases, the potential losses may ~~be enough to indicate an event or condition that may~~ cast significant doubt on the entity's ability to continue as a going concern. The entity may perform sensitivity analyses or value-at-risk analyses to assess the future hypothetical effects on financial instruments subject to market risks. However, value-at-risk analysis does not fully reflect the extent of the risks that may affect the entity; sensitivity and scenario analyses also may be subject to limitations.

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