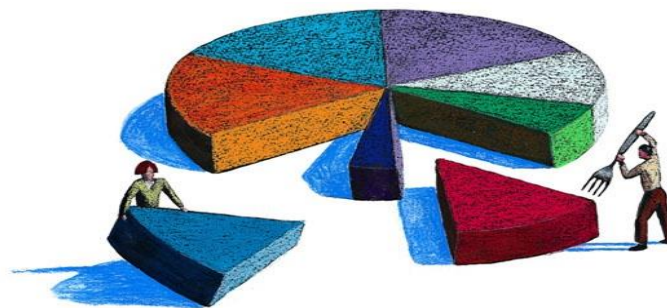


Presented by Grace Lau, Associate Director of Standard Setting, HKICPA

Proposed ISA 570 (Revised 202X), *Going Concern* and Proposed Conforming and Consequential Amendments to Other ISAs



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IAASB Exposure Draft ISA 570 (Revised 202X) (“ED-570”)

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Page



HKICPA Comment Deadline: 24 July 2023

Comments may be sent by:

- Email: commentletters@hki.org.hk
 - Fax: (+852) 2865 6603
 - Post: HKICPA Standard Setting Department
- Or via HKICPA ED-570 Survey by 17 July 2023**

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

HKICPA Survey on ED-570

**Provide your
comments
anonymously
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ED-570 Survey
by 17 July 2023**



HKICPA Survey: IAASB Proposed International Standard on Auditing 570 (Revised 202X), Going Concern

The International Auditing and Assurance Standards Board (IAASB) issued [proposed revisions](#) to its current standard on going concern, International Standard on Auditing 570 (Revised), *Going Concern* ("ED-570").

The proposals seek to strengthen going concern requirements by substantially enhancing the auditor's work effort in relation to going concern and providing enhanced, entity-specific information in the auditor's report.

To facilitate understanding, the Institute has produced an introductory video in Cantonese with English terminologies to provide an overview of the proposed changes.

The Institute is interested in hearing your views about the proposed standard. To collect these views, you are invited to take a survey which highlights the key attributes of the proposed ISA 570 (Revised 202X) followed by yes/no questions. The survey should take less than twenty minutes to complete.

All responses are anonymous. Results of the survey will be used by the Institute to develop its response to the IAASB and will be presented in aggregate.

The survey is open until **17 July 2023**.

If you would like to provide further written comments on this proposed standard, please refer to the Institute's [invitation to comment](#).

Next



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Key Changes Proposed in ED-570

1. Terminology

2. Risk
Identification and
Assessment

3. Timeline of
Management's
Going Concern
Assessment

4. Management
Unwilling to
Extend Its
Assessment

5. Evaluating
Management's
Assessment of
Going Concern

6. Evaluating
Management's
Plans for Future
Actions

7. Transparency
About the Auditor's
Responsibilities
and Work

8. Professional
Skepticism



1. Terminology

- Defining Material Uncertainty (Related to Going Concern).
- Clarifying the Phrase “May Cast Significant Doubt”.



Defining Material Uncertainty (Related to Going Concern)

- 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).

Extant ISA 570 (Revised)	Proposed ISA 570 (Revised 202X)
<p>Requirements</p> <p>Auditor Conclusions</p> <p>...</p> <p>18. Based on the audit evidence obtained, the auditor shall 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. A material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for: (Ref: Para. A21–A22)</p> <p>(a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or</p> <p>(b) In the case of a compliance framework, the financial statements not to be misleading.</p>	<p>Definition</p> <p>10. For purposes of the ISAs, the following term has the meaning attributed below:</p> <p>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)</p> <p>(a) In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or</p> <p>(b) In the case of a compliance framework, the financial statements not to be misleading.</p>

Clarifying the Phrase “May Cast Significant Doubt”.

- 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)*

Proposed ISA 570 (Revised 202X)

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.

HKICPA Survey on ED-570

- **QUESTION 1:**

Do you support the definition of Material Uncertainty (Related to Going Concern)?

- **QUESTION 2:**

Do you support the application material to the definition clarifying the phrase “may cast significant doubt”?



2. Risk Identification and Assessment

- Changes to enhance the linkage with ISA 315 (Revised 2019).
- Strengthen the standard to provide a more robust basis for the identification of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern.



Risk Identification and Assessment

Current

- The risk assessment procedures 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. (paragraph 10(a) of extant ISA 570 (Revised))

Proposed

- Elevating the extant requirements to a more robust approach.
- 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.
- See the next few slides.

Risk Identification and Assessment

- 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.

Extant ISA 570 (Revised)	Proposed ISA 570 (Revised 202X)
<p>Requirements</p> <p>Risk Assessment Procedures and Related Activities</p> <p>10. When performing risk assessment procedures as required by ISA 315 (Revised), the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern. In so doing, the auditor shall determine whether management has already performed a preliminary assessment of the entity’s ability to continue as a going concern, and: (Ref: Para. A3–A6)</p> <p>(a) If such an assessment has been performed, the auditor shall discuss the assessment with management and determine 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 and, if so, management’s plans to address them; or</p> <p>(b) ...</p>	<p>Requirements</p> <p>Risk Assessment Procedures and Related Activities</p> <p>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)</p>

Risk Identification and Assessment

- New requirements/application materials on risk assessment procedures (paragraph 12 and A15–A22) focusing on specific going concern matters by expanding on the foundational requirements in ISA 315 (Revised 2019).
- The structure of the new requirements is consistent with the approach taken in ISA 540 (Revised) and ISA 600 (Revised) to improve the linkages between the understanding being obtained in accordance with ISA 315 (Revised 2019).

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)

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).

Risk Identification and Assessment

- 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 (ED-570 paragraph 14–15):

Proposed ISA 570 (Revised 202X)

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)



HKICPA Survey on ED-570

- **QUESTION 3:**

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?



3. Timeline over which the Going Concern Assessment Is Made

- **Current:** At least twelve months from the date of financial statements.
- **Proposed:** At least twelve months from the date of approval of the financial statements.



Timeline over which the Going Concern Assessment Is Made

- Consistent with the requirements of IAS/HKAS 1: Specify a minimum period for which management is required to take into account all available information.
- IAS/HKAS 1 does not set a cap, so a longer time frame than the minimum period can be considered.
- Extract from paragraph 26 of HKAS 1, *Presentation of Financial Statements*:

26 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, 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.

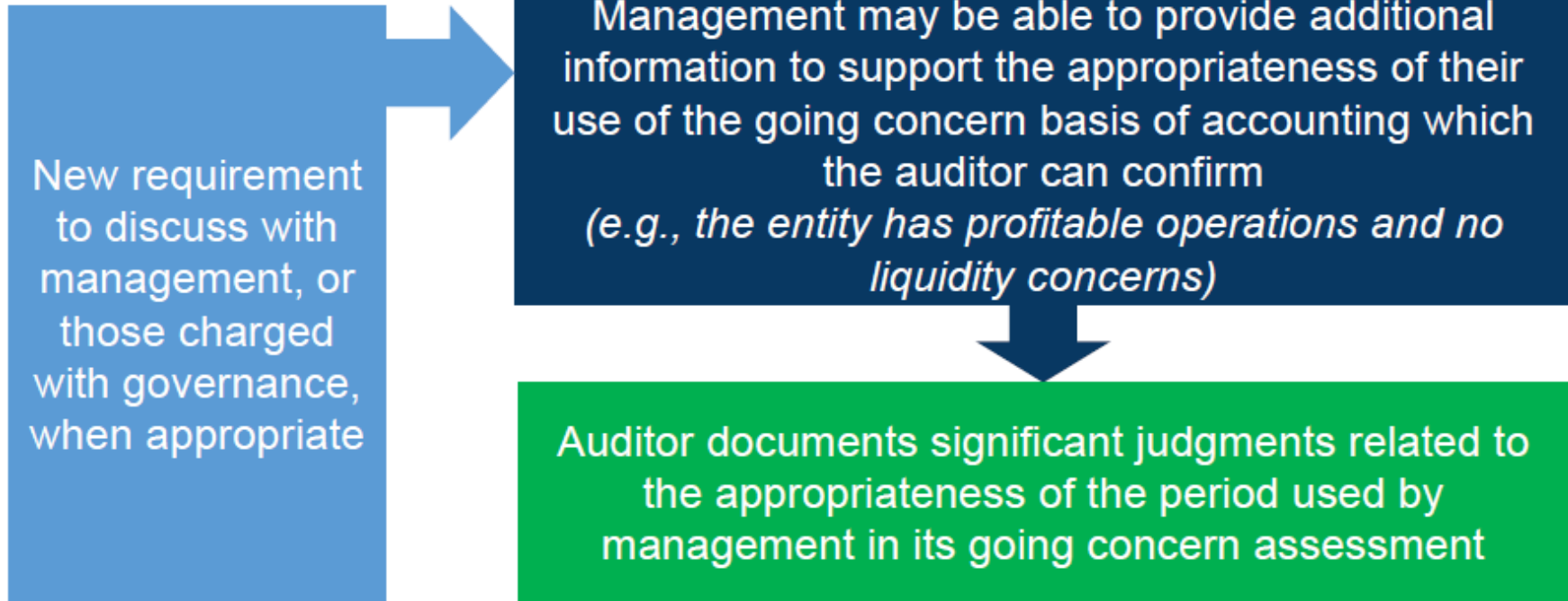


4. Management Unwilling to Extend Its Assessment

- **Current:** Consider the implications to the auditor's report.
- **Proposed:**
 - Enable the auditor to obtain sufficient appropriate audit evidence and issue an unmodified opinion if management is able to provide additional information to support their use of the going concern basis of accounting, even when the period used in their assessment is less than twelve months from the date of approval of the financial statements.
 - Auditor to determine the implications for the audit rather than to consider the implications to the auditor's report alone.



Proposal in ED-570: Management Unwilling to Extend Its Assessment



HKICPA Survey on ED-570

- **QUESTION 4:**

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.

5. Evaluating Management's Assessment of Going Concern

- Enhancements to require a more robust evaluation of management's assessment.
- Require audit procedures to evaluate the method, assumptions and data used by management to make its assessment.
- Procedures on management's revised assessment *when necessary* if events or conditions exist that management has not previously identified or disclosed to the auditor.



Evaluating Management’s Assessment of Going Concern

- Strengthen the standard by requiring the auditor to:
 - “Design and perform audit procedures” to evaluate management’s assessment of the entity’s ability to continue as a going concern; and
 - Evaluate management’s assessment of going concern in an unbiased manner.

Extant ISA 570 (Revised)	Proposed ISA 570 (Revised 202X)
<p>Evaluating Management’s Assessment</p> <p>12. The auditor shall evaluate management’s assessment of the entity’s ability to continue as a going concern. (Ref: Para. A8–A10, A12– A13)</p>	<p>Evaluating Management’s Assessment</p> <p>...</p> <p>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)</p>
	<p>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)</p>

- **Current:** Certain additional audit procedures on management’s assessment of going concern only when events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern.

- **Proposed:**

- Require audit procedures to evaluate the method, assumptions and data used by management to make its assessment – applying the ISA 540 (Revised) concepts.
- 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.

Extant ISA 570 (Revised)	Proposed ISA 570 (Revised 202X)
<p><i>Additional Audit Procedures When Events or Conditions Are Identified</i></p> <p>16. 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 obtain sufficient appropriate audit evidence to determine whether or not 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 (hereinafter referred to as “material uncertainty”) through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (Ref: Para. A16)</p> <p>(a) ...</p> <p>(b) ...</p> <p>(c) Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management’s plans for future actions: (Ref: Para. A18–A19)</p> <p>(i) Evaluating the reliability of the underlying data generated to prepare the forecast; and</p> <p>(ii) Determining whether there is adequate support for the assumptions underlying the forecast.</p> <p>(d) ...</p> <p>(e) ...</p>	<p><i>Method, Assumptions and Data Used in Management’s Assessment</i></p> <p>19. The audit procedures required by paragraph 17 shall include evaluating: (Ref: Para. A30, A33, A38)</p> <p>(a) The method used by management to assess the entity’s ability to continue as a going concern, including whether the:</p> <p>(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)</p> <p>(ii) Calculations are applied in accordance with the method and are mathematically accurate. (Ref: Para. A35)</p> <p>(b) Whether the assumptions on which management’s assessment is based are: (Ref: Para. A36).</p> <p>(i) Appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are appropriate; and</p> <p>(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.</p> <p>(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)</p>

HKICPA Survey on ED-570

- **QUESTION 5:**

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?

- **QUESTION 6:**

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?

6. Evaluating Management's Plans for Future Actions

- Strengthen the evaluation requirements to also include whether management has the intent and ability to carry out the specific courses of action.
- 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.



Evaluating Management's Plans for Future Actions

- Strengthen 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 (paragraph 26 of ED-570).
- 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 (paragraph 27 of ED-570).

Extant ISA 570 (Revised)	Proposed ISA 570 (Revised 202X)
<p><i>Additional Audit Procedures When Events or Conditions Are Identified</i></p> <p>16. 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 obtain sufficient appropriate audit evidence to determine whether or not 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 (hereinafter referred to as "material uncertainty") through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: (Ref: Para. A16)</p> <p>(a) ...</p> <p>(b) Evaluating management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation and whether management's plans are feasible in the circumstances. (Ref: Para. A17)</p> <p>(c) ...</p> <p>...</p>	<p>Evaluating Management's Plans for Future Actions</p> <p>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)</p> <p>(a) The outcome of these plans is likely to improve the situation;</p> <p>(b) Management's plans are feasible in the circumstances; and</p> <p>(c) Management has both the intent and ability to carry out specific courses of action.</p>
	<p><i>Financial Support by Third Parties or Related Parties, Including the Entity's Owner-Manager</i></p> <p>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)</p>

HKICPA Survey on ED-570

- **QUESTION 7:**

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?



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

- Communicating with those charged with governance (“TCWG”)
- Communication with appropriate external parties
- Transparency About Going Concern in the Auditor's Report
- New illustrative auditor's reports in the Appendix of ED-570 to demonstrate the required statements and descriptions when the IFRS Accounting Standards is the applicable financial reporting framework



Communication with TCWG

- **New requirement** in para 12(f): Auditor to obtain an understanding of how TCWG exercise oversight over management's assessment of going concern:

Proposed ISA 570 (Revised 202X)

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'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)



Communication with TCWG

- Para 39 of ED-570 now includes communication for **broader matters**:
 - Basis for the auditor's conclusions and an overview of the audit procedures performed.
 - Adequacy of the disclosures that describe the significant judgments made by management and the mitigating factors in management's plans.
 - When applicable management's unwillingness to make or extend its assessment of the entity's ability to continue as a going concern.



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Extant ISA 570 (Revised)	Proposed ISA 570 (Revised 202X)
<p>Communication with Those Charged with Governance</p> <p>25. Unless all those charged with governance are involved in managing the entity, 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:</p> <ul style="list-style-type: none">(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) The adequacy of related disclosures in the financial statements; and(d) Where applicable, the implications for the auditor's report.	<p>Communication with Those Charged with Governance</p> <p>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. A85–A86)</p> <ul style="list-style-type: none">(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;(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)

HKICPA Survey on ED-570

- **QUESTION 8:**

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?



Communication with Appropriate External Parties

- 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.

Proposed ISA 570 (Revised 202X)

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.



HKICPA Survey on ED-570

- **QUESTION 9:**

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?



Transparency About Going Concern in the Auditor's Report

Applicability	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 ED-570 paragraphs 75-78.</p>	<p>State that:</p> <ul style="list-style-type: none"> • The auditor concluded that management's use of the <i>going concern basis of accounting is appropriate</i>. • 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 ED-570 paragraphs 84-86.</p>
Listed Entities	<p>In addition, if events or conditions have been identified that may <u>cast significant doubt on the entity's ability to continue as going concern, but no material uncertainty exists</u>, 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 ED-570 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 ED-570 paragraphs 84-86.</p>

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

- To include two explicit statements apply to audits of all entities (listed and others) to communicate the auditor's conclusions about going concern explicitly in a separate section on Going Concern in the auditor's report.
- For audits of listed entities: Enhanced communication in the auditor's report when events or conditions have been identified, but no material uncertainty exists.

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.*

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).]

HKICPA Survey on ED-570

- **QUESTION 10:**

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?

- **QUESTION 11:**

Do the proposals and proposed statements about the auditor's conclusions on management's use of going concern in the auditor's report enable greater consistency and comparability across auditor's reports globally?

Transparency About Going Concern in the Auditor's Report

Applicability	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 ED-570 paragraphs 75-78.</p>	<p>State that:</p> <ul style="list-style-type: none"> • The auditor concluded that management's use of the <i>going concern basis of accounting is appropriate</i>. • 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 ED-570 paragraphs 84-86.</p>
Listed Entities	<p>In addition, if events or conditions have been identified that may <u>cast significant doubt on the entity's ability to continue as going concern, but no material uncertainty exists</u>, 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 ED-570 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 ED-570 paragraphs 84-86.</p>

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

- For all entities – 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'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 further description how the auditor evaluated management's assessment of going concern.

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.*

HKICPA Survey on ED-570

■ QUESTION 12:

For 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?



HKICPA Survey on ED-570

- **QUESTION 13:**

Should the above requirement be extended to also apply to audits of financial statements of entities other than listed entities?



HKICPA Survey on ED-570

- **QUESTION 14:**

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)?



8. Professional Skepticism

- Incorporated the concept of professional skepticism in several parts of ED-570:
 - Risk assessment procedures and related activities
 - Evaluating management's assessment of going concern
 - Evaluating whether sufficient appropriate audit evidence has been obtained
- New requirements and application material to reinforce a more robust exercise of professional skepticism and to evaluate the risk of management bias.



HKICPA Survey on ED-570

- **QUESTION 15:**

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?



HKICPA Survey on ED-570

- **QUESTION 16:**

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?



HKICPA Survey on ED-570

- **QUESTION 17:**

Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern?



HKICPA Survey on ED-570

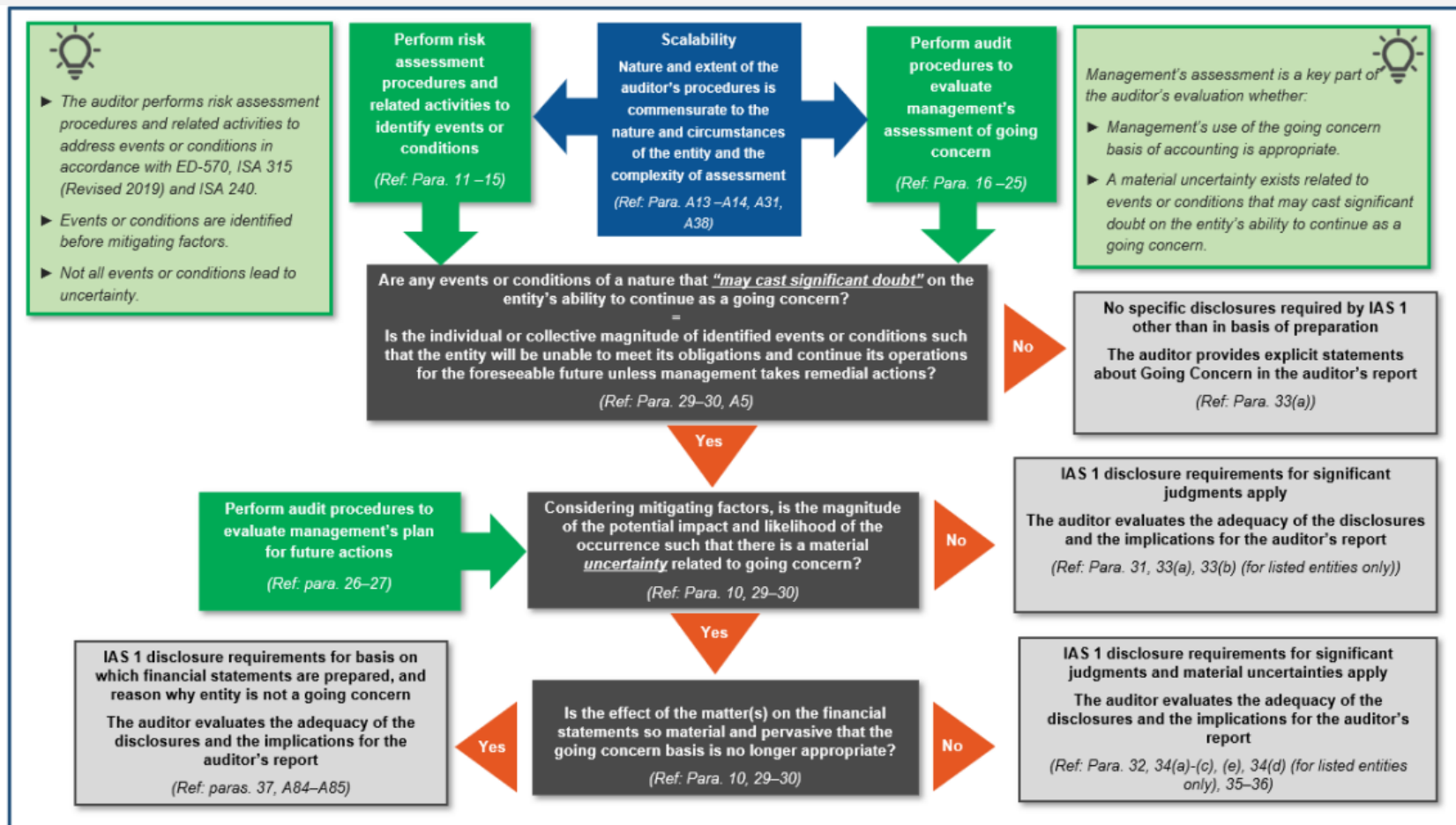
- **QUESTION 18:**

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.



ED-570 Appendix 2: Walkthrough of the Auditor's Decision-Making Process Whether a Material Uncertainty Exists



Please share your views:



***Fill in HKICPA
ED-570 Survey
by 17 July 2023***



***Send your
comments by
email, fax or post
by 24 July 2023***

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