



THE AUDITOR'S RESPONSIBILITIES AND REPORTING ON GOING CONCERN A NEW DAWN



The International Standard on Auditing (ISA) 570 (Revised 2024), *Going Concern*¹ issued by the International Auditing and Assurance Standards Board (IAASB) responds to growing expectations from stakeholders for more robust auditor evaluations and reporting on management's going concern assumptions. Effective for audits of financial statements for periods beginning on or after 15 December 2026, the revised standard strengthens and clarifies the auditor's responsibilities relating to the going concern assessment, and the implications for the auditor's report. The Independent Regulatory Board for Auditors (IRBA) has recently approved the revised standard for adoption, issue and prescription for use by auditors in South Africa. This article outlines the key changes introduced by the revised standard and explores their implications for auditors, management and those charged with governance.

KEY CHANGES

Enhanced risk assessment procedures and related activities

One of the central changes in ISA 570 (Revised 2024) is the emphasis on a more robust, risk-based approach to evaluating management's going concern assessment, which is now more closely aligned with the requirements in ISA 315 (Revised 2019), thereby integrating going concern considerations more fully into the overall audit risk assessment process. The revised standard draws a direct link between risk assessment requirements and the determination of whether events or conditions have been

identified that may cast significant doubt on the entity's ability to continue as a going concern.

The revised standard expands the scope of the auditor's risk assessment procedures, requiring consideration of both internal and external factors such as macroeconomic conditions, supply chain disruptions, and access to financing. The aim is to identify *all relevant events and conditions* that may trigger doubt about the going concern assumption.

The revised standard also provides clarity by emphasising that such events or conditions are identified before consideration of mitigating factors included in management's plans for future actions.

Increased focus on management's assessment

ISA 570 (Revised 2024) requires a more detailed evaluation of management's assessment of going concern. Auditors must now assess whether management's process is sufficiently robust, includes all relevant information, and is performed with an appropriate degree of detail and scrutiny, given the entity's circumstances.

The period for which management must assess going concern is now at least 12 months from the *date of approval of the financial statements*. If a shorter period is used, the auditor is required to request management to extend its assessment. Should management be unwilling to do so, the auditor is required to take further action, which may include the consideration of a scope limitation.

Management representations requested are also enhanced to address the appropriateness of the going concern basis of accounting, methods, significant assumptions, and data used in assessments, events reflected by assessments, and disclosure of matters relevant to going concern.

Stronger requirements on auditor's evaluation

The revised standard places more specific obligations on auditors to do the following:

- Evaluate the reasonableness of management's method, significant assumptions, and data used in their going concern assessment
- Consider multiple scenarios, including a 'worst-case' scenario, where appropriate
- Evaluate the adequacy and consistency of supporting documentation and challenge management's conclusion, where necessary
- Consider whether material uncertainties exist that should be disclosed in the financial statements
- Consider possible indicators of management bias

ISA 570 (Revised 2024) requires the auditor to evaluate both the intent and ability of management to carry out specific courses of action in their plans for future actions to mitigate the effect of identified events and conditions identified that may cast significant doubt on an entity's ability to continue as a going concern. The auditor must obtain evidence about such intent and ability, if financial support is provided by third or related parties, including the entity's owner-manager.

Where events or conditions are identified, auditors must determine whether these give rise to material uncertainty, or whether the use of the going concern basis itself is inappropriate – both of which carry implications for the audit report.

Robust communication requirements

The revised standard significantly enhances communication expectations between the auditor, management and those charged with governance, and users of the financial statements.

Auditors must now have more comprehensive discussions with management and those charged with governance throughout the engagement about the going concern assessment process, identified risks, significant judgements, and related disclosures in

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The auditor's report must clearly describe the outcome of the auditor's evaluation of management's going concern assessment, thereby enhancing transparency to users of the auditor's report. Key changes in reporting include:

- *When the use of the going concern assumption is appropriate and no material uncertainty exists* – An explicit statement that management's use of the going concern basis of accounting is appropriate and that a material uncertainty has not been identified. This applies to the audits of all entities.
- *When the use of the going concern assumption is appropriate, a material uncertainty exists and adequate disclosure is made thereof in the financial statements* – An explicit statement that management's use of the going concern basis of accounting is appropriate, a material uncertainty exists, and the auditor's opinion has not been modified, with a separate section under the heading 'Material Uncertainty Related to Going Concern'. This applies to the audits of all entities.
- *Additional reporting requirements for audits of publicly traded entities:*
 - o When significant judgements are made by management in concluding that there is no material uncertainty, a so-called 'close call' situation, a description is given of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern.
 - o When a material uncertainty exists, a description is given of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern. These descriptions are intended to be bespoke and should reflect the facts and circumstances of each particular audit engagement.

Refer to the [Frequently Asked Questions on ISA 570 \(Revised 2024\)](#) that were developed by the IAASB staff, which discuss the reporting requirements of the standard in more detail.

These reporting requirements are aimed at promoting greater transparency and user understanding of going concern risks.

Professional scepticism and documentation

ISA 570 (Revised 2024) reinforces the requirement for heightened professional scepticism, especially in times of



economic uncertainty or financial stress. Auditors must not simply accept management’s assertions but should rigorously challenge and corroborate them and be alert to possible management bias.

Documentation requirements are also more specific. Auditors must document professional judgement applied relating to conclusions on their evaluation of management’s assessment, the basis for their conclusion, and the rationale for any communication in the audit report.

COMPARISON WITH THE IRBA EAR RULE

ISA 570 (Revised 2024) paragraph 35(b) requires the auditor, for an audit of financial statements of a *publicly traded entity*, to describe in the auditor’s report how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern, where a material uncertainty was identified and adequate disclosure was made in the financial statements. In the IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities (the EAR Rule), this disclosure is required for an audit of annual financial statements of a *public interest entity* as defined in the IRBA Code of Professional Conduct for Registered Auditors. The scope of application of this ISA reporting requirement is, therefore, wider in South Africa because of the interplay of the EAR Rule. Note that the EAR Rule is already effective.

CONCLUSION

ISA 570 (Revised 2024) reflects a significant strengthening of the auditor’s responsibilities in assessing and reporting on going

concern. The revisions align the standard with modern risk-based auditing principles and address demands for increased auditor transparency and accountability. Auditors will need to apply enhanced judgement and professional scepticism, increase dialogue with management and governance bodies, and ensure robust documentation to comply with the revised standard.

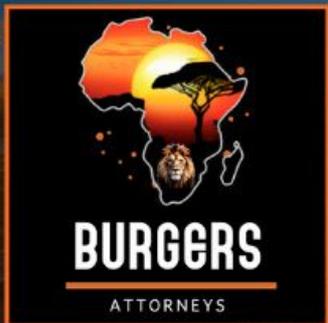
These changes are particularly pertinent in today’s volatile global environment, where going concern assessments are increasingly complex and critical to financial statement reliability.

NOTES

- 1 [ISA 570 \(Revised 2024\), Going Concern.](#)
- 2 This article reflects consequential amendments to ISA 570 (Revised 2024) as a result of the IAASB’s publication of the [Narrow Scope Amendments To The ISQMs, ISAs, and ISRE 2400 \(Revised\) as a Result Of The Revisions To The Definitions Of Listed Entity And Public Interest Entity In The IESBA Code](#). At the time of publication of this article the IRBA had not yet adopted these narrow scope amendments for use in South Africa, but it is expected that the amendments will be adopted by the IRBA without amendment. Regarding early adoption of ISA 570 (Revised 2024), note that the Basis for Conclusions on ISA 240 (Revised), paragraph 98 states: ‘Because of the potential confusion for users if the auditor’s reports for the same or similar periods within the marketplace lack consistency, the IAASB believes that if early adoption is contemplated, the collective changes arising from the Fraud, Going Concern and Listed Entity and PIE projects should preferably be early adopted as a package rather than on piecemeal basis.’

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