



Revisions to the going concern UK auditing standard

Audit Committee Institute
The Board Leadership Centre



On 30 September 2019, The FRC issued [a revised going concern auditing standard](#) in response to recent enforcement cases and well-publicised corporate failures where the auditor's report did not highlight concerns about the prospects of entities which collapsed shortly after.

The revised standard (ISA (UK) 570 Going Concern) follows concerns about the quality and rigour of audit.

It increases the work auditors are required to do when assessing whether an entity is a going concern, and means that UK auditors will follow significantly stronger requirements than those required by current international standards.

Key Provisions

Increased challenge

The revised standard emphasises existing requirements for auditors to robustly challenge management's assessment of going concern: thoroughly testing the adequacy of the supporting evidence; evaluating the risk of management bias; and making greater use of the viability statement (where prepared).

Increased procedures

The revised standard lays out details of the audit documentation which should be provided around key elements of the auditor's understanding of the entity and its environment, including:

- the entity's internal control related to going concern;
- any indicators of possible management bias related to going concern; and
- the auditor's evaluation of the implications for the audit.

Increased perspective

The standard re-emphasises the requirement to 'stand back' and consider all of the evidence obtained, whether corroborative or contradictory, when the auditor draws their conclusions on going concern.

Increased reporting

There is a new reporting requirement for the auditor to provide a clear, positive conclusion on whether management's assessment over going concern is appropriate. And further to this, in the case of the of public interest entities and listed and large private companies, the auditor must also set out the work they have done in making their determination, including any key observations.

Increased communication

In circumstances where the auditor considers that it may be necessary to include a 'material uncertainty related to going concern' paragraph in the auditor's report or issue a qualified, adverse or disclaimer of opinion in respect of matters related to going concern, there are requirements relating to considering reporting to an appropriate authority outside the entity.

The revisions will apply to audits of financial statements for periods commencing on or after 15 December 2019. Early adoption is permissible.

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