Isa 570 going concern revised pdf

Since the beginning of 2020, the whole world has become a different place. Within a matter of only a few months, coronavirus (COVID-19) has swept across the world, closing nations, closing borders and halting the economy. Schools and public places are closed, events have been cancelled and members of the public must comply with new social distancing and isolation rules. The UK Government is responding with different aid packages, but the long-term impact of this is currently unknown. This article will address the revised ISA 570 and its impact on auditors and charities. This is particularly relevant today as charities look ahead and assess the impact of COVID-19. COVID-19 and the impact on the Going Concern assessments frc have issued several briefings in response to COVID-19 and are aware that organisations and audit committees need to understand that it is essential that auditors have sufficient time and support from management to document their assessment and update them as changes occur. Government advice and support is changing on a daily basis and the requirements for organisations, which means management will update and revise their going concern basis. Auditors need to review their work in this area - from closing venues, cancelling events to self-isolation of employees - these are challenging and changing times. Future forecasts will need to bend and likely include a number of potential scenarios that arise to assess covid-19's impact on the company's ability to continue to act as a going concern. Some factors that entities may have to consider because of COVID-19 include: What impact do lockdown measures have on demand for charitable services/foundations? Can the charity/unit continue to operate if staff are unable to be physically present and, if so, for how long? What other effect has COVID-19 had to date? Can staff work remotely? Are restrictions in place that have reduced or suspended activities? Is the company able to continue to provide services as normal or adapt? Will the insurance policies cover any losses due to coronavirus and, if so, how long it may take for a pay-out to be received? Are there additional costs to be taken into account as a result of the pandemic, e.g. in the field of health care? Are there any expected cost savings to account for while lockdown, for example, reduction in travel, office costs, furloughing staff? If lockdown has a significant impact, how long can the device/charity survive? ISA 570 - What has changed and why? The financial reporting framework applicable in the United Kingdom generally requires the adoption of the financial statements, which confirms that the entity may continue for at least 12 months from the date of of the audit report. The going concern basis will not be if management intends to wind up the business or cease operations or have no realistic alternative to liquidation or cessation of operations. The audited ISA has several requirements and guidance for auditors in assessing whether there is a material uncertainty in relation to going concern. appropriateness of management's use of the going concern basis. The revised standard requires: the auditor to more robustly challenge management's assessment of going concern to thoroughly test the adequacy of the supporting documentation and assess the risk of management bias; a new reporting requirement for auditors of public interest companies, listed and large private companies, to provide a clear and positive conclusion as to the appropriateness of management's assessment and to indicate the work they have done in this regard and a requirement to take into account all the evidence obtained, whether pre-emptive or contradictory, when the auditor draws its conclusions on the leading concern. The definitions in relation to what constitutes 'significant uncertainty' and a definition of the concept of 'management bias' are as follows: the lack of neutrality of management in the production of information; Material uncertainty related to going concern: An uncertainty related to events or circumstances that may individually or collectively create significant doubts about the ability of the company to continue as a going concern, where the extent of its potential impact and likelihood of occurrence is such that it is necessary to disclose the nature and consequences of the uncertainty to: (i) In the case of a financial reporting framework with a reasonable presentation; (I) In the case of a financial reporting framework with a reasonable presentation, a fair presentation of the financial statements or (ii) In the event of a framework for compliance, the financial statements are not misleading Impact on the audit methodology. This requires a detailed review and assessment of the assumptions used, the risks behind these estimates within budgets, cash flows and forecasts, how this fits into the auditors' knowledge of the company, the economy as a whole and thus the appropriateness of the going concern base. This means that there will be considerable exercise and rigorous studies on how management has demonstrated its going concern status and the documentation presented to the auditors. In practice, for many accountants and clients, there can be little difference between the work being carried out, where they have followed best practice and been robust in carrying out their going concern work. However, the ISA is very prescriptive in terms of the requirements to be documented and there will inevitably be a need for additional evidence to support the conclusions of the audit file. The 'stand back' requirement, which requires the auditor to take into account all the evidence obtained before it is completed on the going concern basis, must be formally documented. Impact for charities organisations of further work that this will put on charities will largely depend on custom and practice and will vary depending on the size and complexity of the organisation, its income streams and their predictability and risk. However, as mentioned above, this will inevitably entail additional time and cost for both charities and their auditors to varying degrees. All entities can continue to expect discussions with their auditor at both planning and final meetings, but perhaps much more focus on the planning meeting than in the past. For charities with significant estimates in their budgets and forecasts, auditors will continue to have to evaluate the evidence presented on risk areas, such as new and ongoing grants or contracts, copies of the legacy book and any significant correspondence after year-end, confirmation of income from memberships, donations income projections and assumptions, details of investment decisions or disposals and evidence of strategic management decisions within the board's meetings. As already mentioned, such forecasts and budgets may well have to demonstrate different scenarios to show how the company would survive regardless of the outcome and in particular as a result of external factors – most recently the impact of COVID-19. Auditor's reporting requirements The financial statements refer to the assessment of going concern in the management/trustees report, in accounting policies and in the audit report. All key messages and conclusions must be consistent throughout the financial statements. Management must assess the going concern basis and provide evidence in support of this 12 months from the signature date on the accounts – a shorter period is not sufficient documentation. If there is no material uncertainty in relation to going concern, the audit report will include: A statement that the auditor has not identified a material uncertainty that could cast doubt on the entity's ability to continue as a going concern for a period of at least 12 months from the date of approval of the financial statements. It is appropriate to conclude that management's use of the going concern accounting base in the preparation of the company's financial statements is appropriate. For PIES, listed entities and those using the Corporate Governance Code, additional disclosure requirements for how this assessment has been evaluated. If the statutory auditor considers that there is 'material uncertainty in relation to going concern' to be included in the auditor's report or that it is necessary to issue a qualified, negative or disclaimer in relation to going concern issues, they should consider their requirement to report to a supervisory authority or authority outside the company and how to handle that reporting requirement. Summary The revised ISA570 on Going Concern requires more reporting from both and charities in the UNITED Kingdom to ensure that the underlying budgetary assumptions and forecasts are realistic and free of managerial imbalances and that they a realistic representation of events affected by both internal and external factors occurring after the end of the year. Charities should not forget their responsibility for reporting serious incidents if there are any problems with the organisation's going concern. For more information, please see: As always, please contact your Price Bailey if you have any questions or concerns about issues raised in this article. This post was written by Suzanne Goldsmith, Senior Manager at Price Bailey. If you have any questions about the above or are considering making a claim, please contact your usual Price Bailey contact point or Suzanne using the form below. We always recommend that you seek the advice of a suitable qualified advisor before taking any action. The information contained in this article serves only as a guide, and no liability for loss caused by any person acting or refraining from action as a result of this material may be accepted by the authors or the company. For more insight, events and webinars sign up to the Price Bailey mailing list... Sign up Do you have a question about this post? Ask our team... Team...