Frequently Asked Questions

The revised Canadian Auditing Standard (CAS) 570, *Going Concern*

Revisions to CAS 570, *Going Concern*, were prompted by corporate failures, global challenges and economic volatility. They aim to clarify auditor responsibilities, strengthen risk assessment and enhance transparency in reporting.

To support implementation of these changes, CPA Ontario has published this FAQ, which addresses common questions about the revised standard.

What are some of the key changes to the revised CAS 570?

Some key changes related to the revised CAS 570 include:

- Material uncertainty is now clearly defined – a gap in the extant standard.
- Evaluation of management's assessment is required in all cases, not just when risks are flagged, as in the extant CAS 570.
- A separate *Going Concern* paragraph in auditor's report is now required, which was not required under the extant CAS 570.

How did the auditor's risk assessment requirements change under the revised CAS 570?

The revised CAS 570 applies a "going concern" lens when implementing CAS 315 requirements rather than relying solely on inquiry and discussion with management, as under the extant standard. Below are the most significant changes in the revised CAS 570:

- Risk assessment responsibilities for going concern are now more explicit and robust.
- Auditors must identify events/conditions that might cast significant doubt and gather sufficient appropriate evidence.
- Auditors are required to identify events/conditions on a gross basis, before considering management's mitigating plans.

Is management required to make an assessment of the entity's ability to continue as a going concern even if the auditor has not identified events or conditions that could raise concerns?

Yes, under the revised CAS 570 management must make a going concern assessment in all cases, not only when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, as under the extant CAS 570.

What should be the extent of management's analysis to support its going concern assessment?

The extent of management's going concern analysis depends on the entity's nature and circumstances. For example, if an entity is profitable, has no liquidity concerns, and its risk assessment process has not identified events or conditions that may cast significant doubt, a less extensive analysis may be sufficient.

Conversely, if the entity is not profitable, faces liquidity challenges or other conditions exist that could raise substantial doubt, management is expected to perform a more extensive analysis using robust methods, assumptions and data.

If in the auditor's professional judgment management has not performed an appropriate assessment given the circumstances, this may be an indicator of a deficiency in internal control.

What if management is unwilling to make its going concern assessment?

It is important that management makes an appropriate going concern assessment. If management is unwilling to do so:

- Responsibility remains with management: The auditor is not responsible for preparing or rectifying management's assessment.
- Implications for the audit: the auditor must evaluate the impact of management's lack of assessment on the audit and the auditor's report.

How did the period for management's going concern assessment change?

The required time period for assessing going concern remains a minimum period of at least twelve months. What has changed is the commencement date of the auditor's evaluation period. Under the revised CAS 570, it begins from the date of approval of the financial statements, rather than the date of the financial statements, as under the extant standard.

If management pushes back on extending the going concern assessment period what does the revised CAS 570 expect auditors to do?

If management pushes back on extending the going concern assessment period, the auditor shall:

- Discuss the matter with management and those charged with governance.
- Gather additional insights into management's assumptions, risk assessment and rationale.
- Evaluate implications and next steps.
- Determine impact on the audit, including whether this indicates a deficiency in internal control and/or requires additional audit procedures, or may lead to a modified opinion.

What does the revised CAS 570 require auditors to consider when evaluating management's plans for future actions in a going concern assessment?

The revised standard requires the auditor to evaluate whether management's plans are capable of mitigating the effects of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This evaluation includes whether:

- Outcome of plans is likely to be sufficient to mitigate the effects of the identified events or conditions.
- Management's plans are feasible in the circumstances.
- Management has both the intent and ability to carry out specific courses of action.
- Sufficient appropriate audit evidence is obtained to support management's assertions about its plans.

How did the revised CAS 570 enhance transparency in the auditor's report?

The revised CAS 570 introduced a new and separate going concern section in the auditor's report. This ensures that users of the financial statements can clearly identify the auditor's conclusions on going concern matters:

- When there is no material uncertainty, this will be under the heading "Going Concern".
- When there is a material uncertainty, the section is titled "Material Uncertainty Related to Going Concern".

Should a separate section on "Going Concern" or "Material Uncertainty Related to Going Concern" be included in the auditor's report in case of a disclaimer of opinion is issued due to matters not related to going concern?

No, unless required by law or regulation.

Is the revised CAS 570 scalable for audits of less complex entities (LCEs)?

Yes. The revised CAS 570 is designed to be scalable with two key features:

- It explicitly recognizes that the nature and extent of the auditor's procedures (to evaluate the method, significant assumptions, and data used by management) should reflect the results of the auditor's risk assessment. The auditor is expected to adjust the level of work performed to match the complexity of the entity and the risks identified.
- It provides application material and examples to support scalable application to LCEs.

When is the revised CAS 570 effective?

The revised CAS 570 is effective for periods beginning on or after December 15, 2026.