

# Going Concern

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*IAASB Meeting*

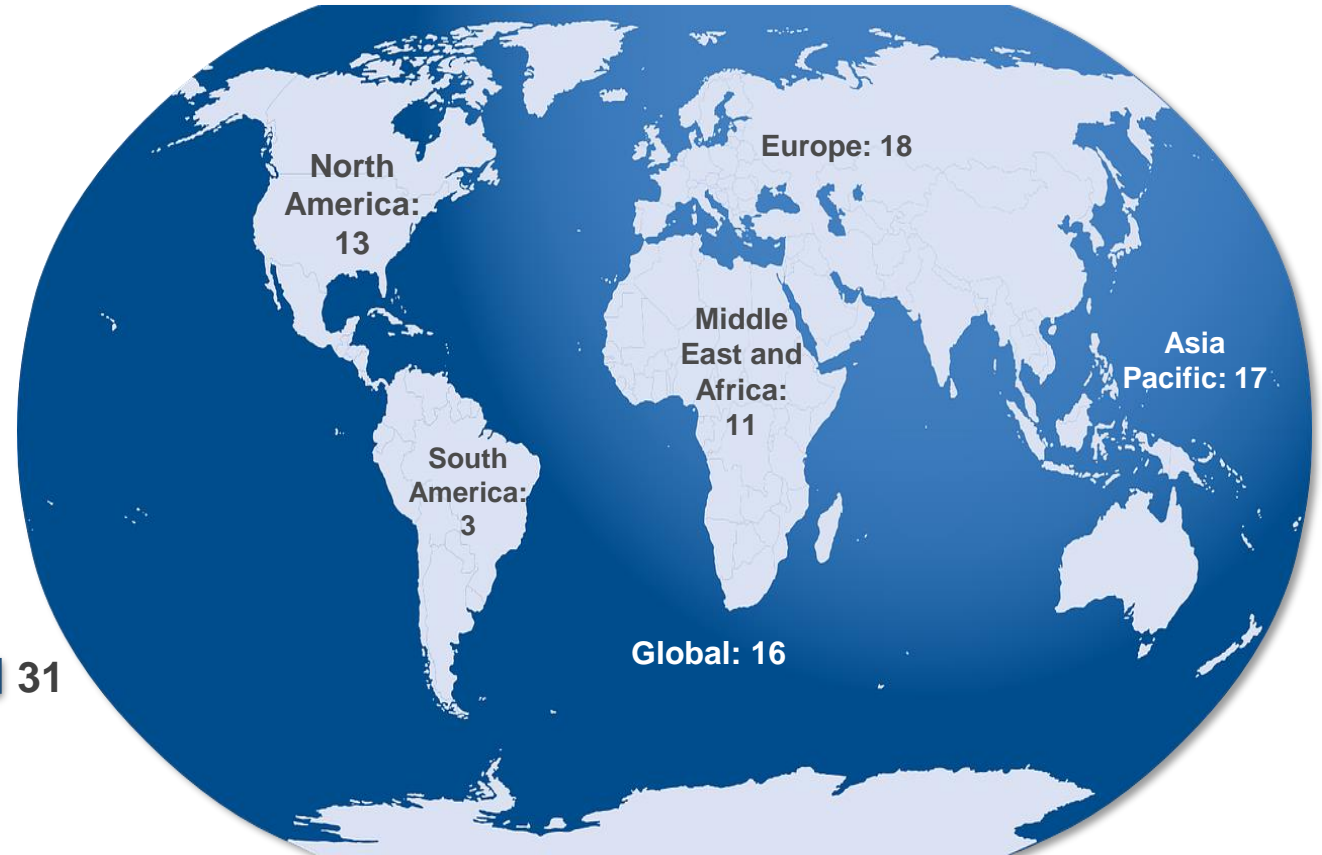
*March 18-21, 2024*

***ED-570: Feedback Overview***



# Overview of Responses to ED-570

## Respondents by Type



***Total responses: 78***

# Overarching Themes from the Responses

**Public Interest  
Issues**

**Enhanced  
Auditor's  
Judgments and  
Work Related to  
Going Concern**

**Scalability**

**Professional  
Skepticism**

**Definition of  
Material  
Uncertainty  
(Related to Going  
Concern)**

**Risk  
Identification and  
Assessment**

**Timeline Over  
which the Going  
Concern  
Assessment is  
Made**

**Evaluating  
Management's  
Assessment of  
Going Concern**

**Concepts from  
ISA 540 (Revised)  
for Method,  
Assumptions and  
Data**

**Management's  
Plan for Future  
Actions**

**Communication  
with Those  
Charged with  
Governance  
(TCWG)**

**Communication  
with Appropriate  
External Parties**

**Explicit  
Statements About  
Going Concern in  
the Auditor's  
Report**

**Enhanced  
Communication  
in the Auditor's  
Report for Listed  
Entities**

**Clarity of the  
Implications to  
the Auditor's  
Report**

# Feedback for Key Themes

## Public Interest Issues

Support for the public interest issues and views that:

- ▶ Coordinated actions from all stakeholders in the financial reporting ecosystem are necessary to establish trust and narrow the expectation gap
- ▶ Improvements are needed to the financial reporting framework for going concern, particularly for management's disclosures and calls for action from IASB

## Enhanced Auditor's Judgments and Work Related to Going Concern

Broad support for the enhancements to the 'performance' aspects in ED-570. However, mixed views whether the 'reporting' aspects would achieve the desired outcomes given:

- ▶ The inherent limitations about future events or conditions that cannot be eliminated
- ▶ Concerns that the proposals, while enhancing transparency, would not narrow the expectation gap

## Scalability

Support for the scalability guidance and views that clarity is needed for the:

- ▶ Required auditor's work effort when there are no going concern risks identified
- ▶ Audit evidence required when management's assessment process is less structured
- ▶ Specific considerations and context relevant to the public sector

# Feedback for Key Themes (cont.)

## Professional Skepticism

Support for the enhancements made to ED-570 for professional skepticism

Suggestions for:

- ▶ Incorporating further references to professional skepticism
- ▶ Enhancing the guidance and examples

## Definition of Material Uncertainty (Related to Going Concern)

Broad support, including to align terminology in auditing and accounting standards

Suggestions for:

- ▶ Elevating the phrase “may cast significant doubt” to the main body of the standard
- ▶ Reconsidering the “auditor’s professional judgment” and “disclosures” in the definition

## Risk Identification and Assessment

Support for the enhancements, but mixed views about the level of detail included from ISA 315 (Revised 2019).

Encouragement to:

- ▶ Provide clarity that it is management’s primary responsibility to identify events or conditions
- ▶ Avoid creating a perception that the auditor is responsible to identify all events or conditions
- ▶ Include further scalability guidance

# Feedback for Key Themes (cont.)

## Timeline Over which the Going Concern Assessment is Made

Broad recognition of the public interest benefit when going concern assessments include more relevant and current information, however:

- ▶ Concern that the IAASB is stepping out of its remit by imposing accounting requirements
- ▶ Mixed views about the practicality and effectiveness of the flexibility provided

## Evaluating Management's Assessment of Going Concern

Recognition that the proposed approach is more robust compared to extant, however seen as:

- ▶ Inconsistent with the concept of risk-based audit
- ▶ Not scalable enough
- ▶ More sensible to apply only for audits of listed entities or public interest entities (PIEs)

## Concepts from ISA 540 (Revised) for Method, Assumptions and Data

Broad support for introducing concepts from ISA 540 (Revised). Encouragement to consider whether a focus on the method, assumptions and data:

- ▶ May risk overlooking a critical event or condition or distract from the evaluation of other significant judgments
- ▶ Should address more prominently significant assumptions and judgements made by management

# Feedback for Key Themes (cont.)

## Management's Plans for Future Actions

Broad support and suggestions for:

- ▶ A stronger requirement to evaluate the ability and/or intent of third or related parties
- ▶ Relegating management's intent to the application material
- ▶ Further guidance to address practical issues when evaluating ability and intent

## Communication with TCWG

Broad support and encouragement for:

- ▶ Recognizing "timeliness" in the requirement
- ▶ Aligning the wording with the required statements in the auditor's report
- ▶ Providing more comprehensive examples and guidance

## Communication with Appropriate External Parties

Broad recognition of the public interest benefit for the auditor to communicate significant going concern matters with appropriate external authorities. Views that the requirement:

- ▶ Should be strengthened to require communication unless prohibited by law or regulation
- ▶ Does not add value, given it is conditional on obligations established by law or regulation

# Feedback for Key Themes (cont.)

## Explicit Statements About Going Concern in the Auditor's Report

Mixed views, with majority support from Monitoring Group and Regulators and Audit Oversight Authorities stakeholders' constituencies.

Concerns about the:

- ▶ Unintended consequence of widening the expectation gap
- ▶ Misalignment between management's and the auditor's responsibilities
- ▶ Risk of becoming a boilerplate disclosure that is overlooked by intended users

## Enhanced Communication in the Auditor's Report for Listed Entities

Broad support to provide a description when there is a material uncertainty. For "close calls":

- ▶ Encouragement for using the KAM mechanism to provide the enhanced communication
- ▶ Clarity needed for the threshold for "close call" situations given that not all events or conditions require significant judgments

## Clarity of the Implications to the Auditor's Report

- ▶ Broad support for the clarity of the implications for the auditor's report.
- ▶ For applicability, encouragement to consider extension to PIEs in coordination with Track 2 of the IAASB's Listed entity and PIE project



# Other Topics from the Feedback

- Encouragement to:
  - Strengthen the written representation requirements
  - Consider providing specific documentation requirements
  - Address inconsistencies with ISA 560, *Subsequent Events*
  - Enhance the guidance when evaluating and concluding based on the audit evidence obtained
- Views that consideration is needed for public sector considerations, special purpose frameworks and review engagements
- For the proposed effective date:
  - Support for coordinating effective dates with other IAASB projects (Fraud, Listed entity and PIE)
  - Views that 24-months is a more reasonable implementation period

# Way Forward

- Ongoing dialogue and engagement with others in the financial reporting ecosystem
- Coordination with other IAASB task forces, consultation groups and IESBA

## Q2 – Q3 2024

- Consideration of feedback and development of final pronouncement

## Q4 2024

- IAASB expected approval of final pronouncement (December 2024)

# Discussion

Board's reflections on the  
feedback





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