

Going Concern – Question 16 (Extract) – Written Representation

16. Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

1 - Q16 - Other matters**1. Monitoring Group****International Forum of Independent Audit Regulators (IFIAR)**

Written representations

Given the fundamental importance of going concern in the preparation of the financial statements, we urge the IAASB to strengthen the written representations provided by management by including an additional requirement (alongside paragraph 38) for the auditor to request management, and, where appropriate, those charged with governance to provide written representations that all identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been disclosed to the auditor and included as part of management's assessment of going concern.

International Organization of Securities Commissions (IOSCO)

Written Representations – We recommend the Board also include a requirement to obtain written representation when events and conditions have not been identified that may cast significant doubt on the entity's ability to continue as a going concern.

2. Regulators and Audit Oversight Authorities**Committee of European Auditing Oversight Bodies (CEAOB)**

Written representation

The CEAOB also recommended the introduction of provisions to incentivize management to confirm the appropriateness of their assessment to the auditor. Therefore, the CEAOB supports the provisions for a written confirmation request (in case of events or conditions that may cast significant doubt on going concern) introduced in paragraph 38. However the written representations could be further enhanced by including confirmation from management that all identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been considered in its assessment and disclosed to the auditor.

Financial Reporting Council (FRC)

Written representations—Given the fundamental importance of going concern in the preparation of the financial statements, we urge the IAASB to strengthen the written representations provided by management by including an additional requirement (alongside paragraph 38) for the auditor to request management, and, where appropriate, those charged with governance to provide written representations that all identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been disclosed to the auditor and included as part of management's assessment of going concern.

Independent Regulatory Board for Auditors (IRBA)

Given the fundamental importance of going concern in the preparation of the financial statements, the IAASB may want to consider strengthening the written representations provided by management by including an additional requirement, alongside paragraph 38 of ED-570. This would require the auditor to request management and, where appropriate, TCWG to provide written representations that all identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been disclosed to the auditor and included as part of management's assessment of going concern.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Written representation

IAASA supports the provisions for a written confirmation request (in case of events or conditions that may cast significant doubt on going concern) introduced in paragraph 38. However the written representations could be further enhanced by including confirmation from management that all identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern have been considered in their assessment and disclosed to the auditor.

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Additionally, consistent with our earlier auditor timeline-related views and recommendations, we encourage the IAASB to include the following adapted requirement from AU-C 570 as a new paragraph in the Exposure Draft (additions are marked as underlined). Corresponding application material would also be required.

38A. If the auditor believes, before consideration of management's plans pursuant to paragraph 16, that a material uncertainty exists related to events or conditions that may cast significant doubt about the entity's ability to continue as a going concern for at least twelve months from the date of approval of the financial statements, the auditor shall request the following written representations from management:

- (a) A description of management's plans that are intended to mitigate the adverse effects of conditions or events that may cast significant doubt on the entity's ability to continue as a going concern (for at least twelve months from the date of approval of the financial statements) and the probability that those plans can be effectively implemented.*
- (b) That the financial statements disclose all the matters of which management is aware that are relevant to the entity's ability to continue as a going concern (for at least twelve months from the date of approval of the financial statements), including principal conditions or events and management's plans.*

Australian Auditing and Assurance Standards Board (AUASB)

Written Representations

We recommend revising paragraph 38, or including an additional requirement, to require the auditor to request written representations from management and, where appropriate, TCWG, in circumstances where events or conditions have not been identified that may cast significant doubt on the entity's ability to continue as a going concern. This should also include if management do not consider it necessary and therefore have not performed a detailed assessment of the entity's ability to continue as a going concern.

Canadian Auditing and Assurance Standards Board (AASB)

Management representation

Concern: ED-570 has many new requirements relating to the auditor's evaluation of management's going concern assessment. However, there are no corresponding requirements for the auditor to request management representations relating to their responsibilities to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and to assess the entity's ability to continue as a going concern.

Suggest: To emphasize management's responsibilities and to support other audit evidence, the IAASB should consider requiring the auditor to request management to provide written representations that:

- management has informed the auditor of all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern of which they are aware; and
- these events or conditions are included in management's assessment of the entity's ability to continue as a going concern.

4. Accounting Firms

BDO International (BDO)

We question why the written representation requirement in ED-570 paragraph 38 is not similar to ISA 540 paragraph 37, considering the work effort required by ED-570 paragraph 19. We recommend adding another requirement in paragraph 38:

“(d) Whether the methods, significant assumptions and the data used in the going concern assessment and the related disclosures, if required, are appropriate and in accordance with the applicable financial reporting framework.”

6. Member Bodies and Other Professional Organizations

Saudi Organization for Chartered and Professional Accountants (SOCPA)

Additionally, with regard to the enhanced requirements and application material in ED-570 related to obtaining written representations, the proposal included in A38 in ED-570 should be revised to specifically state that written representations by management do not relieve an auditor from the requirement to obtain sufficient and appropriate audit evidence, to avoid overreliance by auditors on management representations. We have identified this as a significant issue since, based on auditing literature and our prior quality reviews, we observe that some auditors, in certain instances, may rely only on the written representations and make no considerable attempt to obtain sufficient and appropriate audit evidence relating to the specific matter.

South African Institute of Chartered Accountants (SAICA)

We urge the IAASB to strengthen the documentary proof and/or written representations provided by management by including an additional requirement alongside paragraph 38 for the auditor to request management and, where applicable, those charged with governance, to provide written representations that all identified events or conditions that may cause significant doubt on the entity's ability to continue as a going concern have been disclosed to the auditor and included as part of management's assessment of going concern.