

Agenda Item 3-B.6 (Supplemental)

Going Concern – Question 7

7. Do you support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?

Q07 - Agree

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee agrees with the proposed enhancements to the revised standard, including the time period for going-concern assessments, the definition of material uncertainty, the assessment requirements and disclosures about situations of significant doubt but no material uncertainty, and increased transparency in the auditor's report.

International Association of Insurance Supervisors (IAIS)

The IAIS supports the proposed timeline extension for going concern assessment to a twelve-month period of management assessment from the date of financial statements approval. This change should give more time for auditors to identify and clarify uncertainties.

It would increase consistency globally, as some jurisdictions have amended their national going concern standards to require the commencement date of the twelve-month period of management's assessment to be the date the financial statements are issued or approved or when the auditor's report is signed.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Yes, we support the change in the commencement date of the twelve-month period of management's assessment of going concern to be the date of approval of the financial statements. This date would be of more value and more relevance to the users of the financial statements as economic decisions are made in real time and the further the period, the more relevant the assessment would be.

3. Jurisdictional and National Auditing Standard Setters

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Yes, we support the extension of the auditor's evaluation of the going concern assessment to at least 12 months from the date of approval of the financial statements. The proposed extension aligns closely with the current New Zealand requirements, and in our view will support consistency in practice globally.

We consider alignment of the accounting and auditing standards to be in the broader public interest and we encourage the IAASB to continue its efforts in engaging with the IASB and IPSASB to resolve inconsistencies in the period of management's assessment.

Public Accountants and Auditors Board Zimbabwe (PAAB)

To promote consistent practice, PAAB supports the proposed commencement date of the twelve-month period from the date of approval of the financial statements as defined in ISA 560.

4. Accounting Firms

Crowe Global (CROWE)

We support the change in the commencement date of the twelve-month period of management's assessment. This is consistent with the approach taken by standards in a number of jurisdictions and is in the public interest. It takes a current perspective at the date of reporting, which could be long after the period-end, which is transparent and more meaningful for users.

Mo Chartered Accountants (MCA)

We concur.

5. Public Sector Organizations

Office of the Auditor General New Zealand (OAGNZ)

Yes, we support this requirement as we currently apply a 12 month period from the date of signing our audit reports.

6. Member Bodies and Other Professional Organizations

California Society of CPA (CALCPA)

Yes; we support the change to twelve months from the date of approval of the financial statements for the period of management's assessment of going concern.

Chartered Accountants Ireland (CAI)

We support steps to clarify and strengthen the process whereby auditors assess and report on the appropriateness of the use of the going concern basis of accounting. We consider that reassessment of the auditing standards in this area is in the public interest. The proposals will further align the standards internationally by reflecting requirements already in place in some jurisdictions including Ireland and the UK.

We have no comments on the proposed requirements.

CPA Australia (CPAA)

We are supportive of the extension period of the auditor's evaluation of the going concern assessment to at least 12 months from the date of approval of the financial statements. The proposed extension period will be more aligned with the current Australian and New Zealand requirements.

Institute of Certified Public Accountants of Uganda (ICPAU)

We are supportive of the change in the commencement of the twelve-month period of management's assessment of going concern from the date of the financial statements to the date of approval of the financial statements because we believe that this will enable the inclusion of more current information in the going concern assessment as management will be forced to be more forward looking in their assessments.

Institute of Chartered Accountants of Scotland (ICAS)

Yes, we support this proposed change which aligns with the current requirement in ISA (UK) 570 (Revised). This has long been the applicable period in the UK and we welcome the IAASB's proposed change in that regard.

Instituto de Auditoria Independente do Brasil (IBRACON)

We agree with the change in the commencement date, as it will promote consistency of global application to support the public interest, as well as the flexibility provided in paragraphs 22 and A43-A44 of ED-570.

National Board of Accountants and Auditors of Tanzania (NBAA)

Yes, we do support the changes, but in circumstances where management is unwilling to make or extend its assessment, we are of the view that the auditor should not only issue an unmodified opinion but also should include this matter after consultation with those charged with governance in the key auditor matter paragraph.

Q07 - Agree with comments

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

Management Unwilling to Make or Extend its Assessment

We encourage the IAASB to consider whether the application material to paragraph 22 provides sufficient guidance to auditors in determining whether sufficient appropriate audit evidence has been obtained in the range of circumstances which might arise where management refuses to extend its assessment.

Requesting management to extend its assessment

In our 2021 Response Letter, we commented that a greater impact on the quality of going concern assessments and the related audit procedures will be realised when both the accounting and auditing standards have been updated to better serve stakeholders. We urge the IAASB to continue to engage with the IASB to encourage consistency in the period of management's assessment between the International Financial Reporting Standards (IFRSs) and the ISAs, recognising that a more robust assessment by management drives better audit quality.

Whilst IFIAR acknowledges that there are different timelines over which the going concern assessment is made dependent on both the jurisdiction and/or the applicable financial reporting framework, it is IFIAR's view that there is considerable public interest benefit from auditors being required to request management to extend their assessment of going concern so that it includes more current information.

International Organization of Securities Commissions (IOSCO)

Recent market conditions have brought to light heightened risks pertaining to the auditor's responsibilities and work related to management's assessment of an entity's ability to continue as a going concern, as well as inconsistencies among auditors in the assessment period used and in effectively identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We believe these matters could potentially be addressed by enhancements to the auditor's responsibilities with respect to going concern.

To achieve the Board's stated objective to promote consistent practice and behavior, we are supportive of the proposed commencement date of the twelve-month period from the date of approval of the financial

statements as defined in ISA 560. We do, however, believe the requirement should be for the auditor to obtain sufficient appropriate audit evidence for a period of at least twelve months from the date of approval of the financial statements as defined in ISA 560, and conclude:

on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements;

whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern; and on the adequacy of the financial statement disclosures, if any.

We believe this approach is consistent with the requirements in certain applicable financial reporting frameworks, such as International Accounting Standard (IAS) 1 Presentation of Financial Statements, that require management to take into account all available information about the future as described in ED 570 paragraph A42 and related footnote 24. Furthermore, education material issued by the IFRS Foundation to support the consistent application of the requirements in IAS 1 states: "When assessing whether to prepare financial statements on a going concern basis, IAS 1 requires management to look out at least (emphasis added) 12 months from the end of the reporting period—but emphasizes that the outlook is not limited to 12 months.... Considering time periods longer than 12 months is not inconsistent with the requirements in IAS 1, which establishes a minimum period, not a cap." We also observe that the IFRS Foundation's education material further states that "Paragraph 14 of IAS 10 Events after the Reporting Period explains that management's assessment of the use of a going concern basis of preparation needs to reflect the effect of events occurring after the end of the reporting period up to the date that the financial statements are authorised for issue (emphasis added)."

The audit procedures may include testing of management's assessment to obtain sufficient and appropriate audit evidence to meet this proposed requirement. Consistent with the example provided in ED 570 paragraph A44, if the auditor's assessment period differs from management's assessment period under the applicable financial reporting framework, the auditor should first assess any additional information that can be used as audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. If, after evaluating the sufficiency and appropriateness of audit evidence obtained, the auditor believes it is necessary for management to extend its assessment period in order to obtain sufficient appropriate audit evidence to meet the auditor's requirement, the auditor should then request management to do so. We believe this construct allows the auditor to request management to extend its assessment period only when the auditor believes it is necessary for management to do so for the auditor to obtain sufficient appropriate audit evidence consistent with ISA 200.A2 (c)(ii) which states "...an audit in accordance with ISAs is conducted on the premise that management and, where appropriate, those charged with governance have acknowledged and understand that they have responsibility to provide the auditor with additional information that the auditor may request from management and, where appropriate, those charged with governance for the purpose of the audit...".

However, we note that the requirement in ED 570 paragraph 21 requires the auditor to request management to extend its assessment period to at least twelve months from the date of approval of the financial statements in all instances. If the Board's intention is that the auditor only be required to request management to extend its assessment period when the auditor is not otherwise able to obtain sufficient appropriate audit evidence to conclude on the appropriateness of management's use of the going concern basis of accounting in the preparation of financial statements, we believe the Board should update ED 570 paragraph 21 to reflect this intent.

Alternatively, if the Board's intention is that the auditor request management to extend its assessment period in all instances then we are concerned that this would be imposing requirements on management that go beyond an auditor's responsibility to obtain sufficient appropriate audit evidence to meet their requirements, which is beyond the Board's remit. ISA 200.4 states: "The financial statements subject to audit are those of the entity, prepared by management of the entity with oversight from those charged with governance. ISAs do not impose responsibilities on management or those charged with governance and do not override laws and regulations that govern their responsibilities (emphasis added)."

In instances where management is unwilling to extend its assessment period, and the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall determine the implications for the audit by revising the assessment of the risks of material misstatement and modifying planned audit procedures in accordance with ISA 315 (Revised 2019) and consider the implications for the auditor's report in accordance ISA 705 (Revised).

Similarly, the auditor should obtain sufficient appropriate audit evidence regarding, and conclude on, the adequacy of management's disclosures in the financial statements. For example, management may be required to make certain disclosures in accordance with the applicable financial reporting framework in instances where events or conditions exist beyond management's assessment period that may cast significant doubt upon the entity's ability to continue as a going concern but is mitigated by management's plans and, therefore, no material uncertainty exists.

We encourage the IAASB to continue discussions with the International Accounting Standards Board regarding public interest matters pertaining to going concern evaluation and reporting. We further encourage the IAASB to consider development of guidance, referencing relevant accounting standards, Interpretations Committee agenda decisions, and education material as well as the relevant application material in ED 570, in order to promote understanding and dialogue among stakeholders to address the consequences of potential diversity in assessment periods. Furthermore, as part of the IAASB's outreach and due process related to ED 570, we believe it is crucial to obtain feedback from various stakeholders, in particular preparers and investors.

We recognize the Board's time and effort on this project and we appreciate the positive evolution of the Paper compared to the extant standard. We appreciate the opportunity to comment on the Paper and have outlined our views regarding certain topics in the responses to the Board's specific questions below. In addition, we would like to draw the Board's attention to our main observations which are summarized below:

Management's assessment of going concern (see question 7): We support the Board's objective to promote consistent practice and behavior by auditors across all audit engagements conducted in accordance with the ISAs, including the proposed timeline over which the going concern assessment is made. This proposed assessment period is not inconsistent with the requirements of certain applicable financial reporting frameworks such as the International Financial Reporting Standards (IFRS). We do, however, believe that these enhanced requirements should focus on the responsibilities of the auditor. We have included an alternative approach for the Board's consideration to achieve the Board's stated objective.

2. Regulators and Audit Oversight Authorities

Canadian Securities Administrators Chief Accountants Committee (CAC)

We are supportive of the IAASB's proposed change to the going concern assessment period, however, we have the following concerns that could lead to inconsistent auditor reporting for similar matters:

Auditor reporting when management does not extend assessment period

We think there may be a potential for inconsistent auditor's opinions or disclosures within the auditor's report when management is unwilling to extend their assessment period solely to support the auditor's requirements in ED-570 but has complied with the assessment period requirements in the applicable accounting framework. We recommend the IAASB provide further guidance on the applicability of issuing a modified opinion under these circumstances and whether there is an expectation of disclosure about the differing assessment periods of management and the auditor in the auditor's report.

Auditor reporting on evaluation of management's assessment

We also note that the requirements in paragraphs 33(b)(ii) and paragraph 34(d) of ED-570 are unclear in situations where the auditor is required to describe how they evaluated management's assessment of the entity's ability to continue as a going concern. Further illustrative guidance or examples would aid in promoting consistency across auditor's reports.

We support the IAASB's proposed timeline over which the auditor assesses going concern, however, we think additional guidance is needed to ensure that auditor reporting is consistent and comparable for similar matters. We also encourage the IAASB to continue engagement with accounting standard setters to determine if further convergence with the financial reporting framework regarding the commencement date of the twelve-month period of management's assessment is necessary and ensure that a holistic approach on other issues of mutual interest relating to going concern are addressed (refer to our response to Question 16).

Committee of European Auditing Oversight Bodies (CEAOB)

Further investigations by the auditor regarding material uncertainties

The CEOB agreed with expanding the auditor's role in relation to going concern.

Regarding the timeline to be considered when assessing the validity of the going concern assumption, the CEOB is of the view that the IAASB's proposal in paragraphs 21 to 23 is a workable solution, based on the aims of protecting the public interest and informing the public about a future material uncertainty arising after the twelve months period required as a minimum by International Accounting Standard (IAS1 – Presentation of Financial Statements) for preparation of the financial statements.

Asking management to extend the going concern assumption assessment from the date of approval of the financial statements (paragraph 21) should enhance the basis on which the auditor concludes whether management's use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

On this premise it is also important to continue to engage with the International Accounting Standards Board (IASB) in order to end up with a greater alignment between the IFRS framework and the ISAs in the period of management's assessment of going concern. This would be a step towards enhancing the public interest on going concern matters.

The CEOB encourages the IAASB to provide more extensive application material in paragraph A45 when management is unwilling to make or extend its assessment, to guide auditors in evaluating the wide range of situations that could arise in practice, including factors and circumstances where the unwillingness could potentially be indicative of going concern issues. In this context, differences could also be considered between an unwillingness to make and an unwillingness to extend management's assessment.

Financial Reporting Council (FRC)

YES, we strongly support the change to twelve months from the date of approval of the financial statements for the period of management's assessment of going concern. As part of the 2019 revision of ISA (UK) 570, we amended the requirement for the auditor to request management to extend its assessment period to at least twelve months from the date of approval of the financial statements, as we believe there is considerable public interest benefit from auditors being required to request management to extend their assessment of going concern so that it includes more current information. As part of our recent outreach in relation to auditor reporting in the UK, the extension of the period of assessment by management and auditors was not raised by our stakeholders as causing any concern in practice.

We would also encourage the IAASB to explore whether more could be included in ED-ISA 570 to encourage auditors to challenge management where they have limited the period considered to the minimum period required by ED-ISA 570 but where there are circumstances that indicate that a longer period would be more appropriate. In many cases, management continues to focus on a going concern assessment period that meets the minimum requirements rather than looking at the foreseeable future, without considering how appropriate the period is. It is our belief that the auditor should also be looking at this period and—irrespective of the minimum period required—assessing whether it is appropriate given the individual facts and circumstances of the entity. In the UK, we added additional application material to support a similar requirement to that included in paragraph 24 in ED-ISA 570 and we would urge the IAASB to include similar application material in the final standard.

We encourage the IAASB to continue liaising with the IASB with the aim to achieve consistency in the international auditing and accounting standards.

We would also encourage the IAASB to include further application material to the requirement in paragraph 16 to make it clear that where the auditor has requested management to perform an assessment of the entity's ability to continue as a going concern, in the circumstances where management refuses to do so, the auditor modifies the audit opinion. This could draw on language used in paragraph 4 that even where there is no explicit requirement for management to make a specific assessment, the preparation of the financial statements requires management to assess the entity's ability to continue as a going concern.

Independent Regulatory Board for Auditors (IRBA)

We conditionally support of the principle of the change in the commencement date of the 12-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570), to ensure that management's going concern assessment is reflective of current information pertaining to the entity.

However, we would have preferred that this change first be reflected in the accounting standards, for example, in the IFRS, to avoid any resistance from management to the auditor's request, as per paragraph 21 of ED-570. Under IFRS, management is required to at a minimum perform the going concern assessment 12 months from the date of the financial statements, as a result management is not obliged to extend it to 12 months from the date of approval of the financial statements.

The IRBA consulted preparers of financial statements regarding the application of paragraph 21 of ED-570 and received a written response from the CFO Forum, an interest group of the South African Institute of Chartered Accountants. Their comments addressed to the IRBA resulted from deliberations of the members of the CFO Forum, a discussion group formed and attended by the Chief Financial Officers of Johannesburg

Stock Exchange (JSE) listed and larger state-owned companies – with members representing a significant part of South African business. The CFO Forum has broad sectoral coverage ranging from financial services, mining, retail, media, telecoms, medical services as well as paper and packaging. Its aim is to contribute positively to the development of South Africa's policy and practice on financial matters that affect business – such as government regulatory issues and initiatives, taxation, financial reporting, corporate law and governance, capital market regulation and stakeholder communications for enterprises. Their views are reproduced in paragraphs 22 to 23 hereunder:

Some preparers indicated that they do not have any concerns with regards to the changed period of the going concern assessment. They have followed a practice for a number of years already where they consider their going concern position with reference to a 3-year outlook of their solvency and liquidity positions.

Some preparers in South Africa (not the views of the IRBA) do not support the change in commencement date due to the following concerns:

The change in date creates additional administrative constraints and significant work on the date of approval/signing of AFS, whereas currently this work is done well in advance as it is based on information available as at the reporting date (for example 31 December 2022 instead of date of approval being 9 March 2023).

The period being the next 12 months from the reporting date includes the date on which the AFS are approved and signed (in our example 1 January 2022 to 31 December 2022 and 1 January 2023 to 31 December 2023) and the date of approval is therefore included in this period (in our example 9 March 2022 and 9 March 2023). It would be preferable to not change this period to approval date of the annual financial statements from one year to the next (i.e. 9 March 2022 to 9 March 2023) as this doesn't cover any reporting period in particular and doesn't align to the financial statements an entity typically reports on.

The going concern assessment is driven by an entity's balance sheet (Statement of Financial Position) at a point in time which is reported at a reporting date (either interim or year-end reporting) in terms of IFRS requirements. Applying the new requirement would be adding additional burden on the year-end process.

Practical implementation of this could lead to assumptions being made that the Statement of Financial Position on the approval date is not materially different to the one at the reporting date (i.e. year-end date), which we don't believe is the reason for the IAASB reconsidering the requirement in the first place.

We reiterate that the IRBA is not necessarily in agreement with all the preparer views that have been reproduced for the IAASB's consideration in paragraphs 22 to 23 above, particularly the second and third bullet points in paragraph 23.

To this end, and because the auditor should not be required to assess information that management would not be required to take into consideration when assessing the entity's ability to continue as a going concern in preparing the financial statements, we urge the IAASB to continue to engage with the IASB to encourage consistency between the IFRS and the ISAs.

We do not support the flexibility provided in application paragraph A44 of ED-570 that allows management to choose not to extend the period of assessment, based on providing additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. We submit that this will inhibit the consistent application of paragraph 21 of ED-570, resulting in difficulties for auditors, and for regulators when inspecting against the requirement on a consistent basis. We suggest that the IAASB considers putting forward a threshold as to when the extension

of the period of the going concern assessment is required, if its view is that the extension may not always be required, as postulated in paragraph A44 of ED-570. Alternatively, additional wording is required in paragraph A44 to clarify under what circumstances the auditor may not need to make the request, as per paragraph 21 of ED-570.

We would like to highlight that paragraphs 16 and 23 of ED-570 are contradictory as management have to make a going concern assessment in terms of the financial reporting framework(s) and paragraph 16 of ED-570, it follows that the requirement in paragraph 23 should only apply to the extension as required by paragraph 21 of ED-570.

We also do not support the use of the word “... believe ...” in paragraph 23 of ED-570. We recommend that this be replaced with “assesses” or “concludes based on audit evidence that ...”. Further, at the end of paragraph 23, the IAASB should consider inserting “... and the audit report.”

Also refer to the second bullet point under paragraph 12 above.

The IAASB may want to look at including in the application material to paragraph 21 of ED-570 a scenario where the date of the approval of the financial statements changes from what the management of the entity previously communicated and the auditor’s responsibility in that case, especially in less complex entities where such a process may be prone to multiple delays.

Lastly, depending on the requirements in the finalised standard, the IAASB may want to consider including a conforming and consequential amendment to ISA 210, Agreeing the Terms of Audit Engagements, for the auditor to include the requirement in paragraph 21 of ED-570 into the engagement letter. This will ensure that the management of the entity is aware of the request to extend its going concern assessment to 12 months from the date of approval of the financial statements as early as possible.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Further investigations by the auditor regarding material uncertainties

IAASA agree with expanding the auditor’s role in relation to going concern.

framework and the ISAs regarding the period of management’s assessment of going concern. This would be a step towards enhancing the public interest in going concern matters.

The IAASB should provide more extensive application material in paragraph A45, when management is unwilling to make or extend its assessment, to guide auditors in evaluating the wide range of situations that could arise in practice, including factors and circumstances where the unwillingness could potentially be indicative of going concern issues. The differences between an unwillingness to make and an unwillingness to extend management’s assessment could also be considered.

Regarding the timeline to be considered when assessing the validity of the going concern assumption, the IAASB’s proposal in paragraphs 21 to 23 is a workable solution, based on the aims of protecting the public interest and informing the public about a future material uncertainty arising after the twelve months period required as a minimum by International Accounting Standard (IAS1 – Presentation of Financial Statements) for the preparation of financial statements.

Asking management to extend the going concern assessment from the date of approval of the financial statements (paragraph 21) should enhance the basis on which the auditor concludes whether management’s use of the going concern basis of accounting is appropriate and whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.

National Association of State Boards of Accountancy (NASBA)

Twelve-Month Period of Management's Assessment

In considering the commencement date of the twelve-month period of management's assessment of going concern, we understand the IAASB considered several possible dates, as defined in ISA 560, including the date of approval of the financial statements, the date of the auditor's report and the date the financial statements are issued. Ultimately, the date of approval was decided on because, in most jurisdictions, this date is a widely recognized date that may also be prescribed in statutory requirements.

NASBA supports a change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements to a more current date. From a public protection standpoint, we recommend using the date of issuance as that provides the most current assessment of going concern possible and the latest date that the auditors are associated with the financial statements.

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB supports the change in the timeline over which the going concern assessment is made, from the date of the financial statements to the date of approval of the financial statements. The assessment period currently adopted in Australia is at least approximately 12 months from the date of the current auditor's report to the date of the next auditor's report which is largely consistent with the period proposed in ED-570.

The commencement date in ED-570 is not consistent with paragraphs 25 and 26 of IAS 1 and we encourage the IAASB to continue engaging with the IASB to revise IAS 1.

Canadian Auditing and Assurance Standards Board (AASB)

Together with the ED-570 proposals for auditor reporting relating to going concern, management's going concern assessment period garnered the most significant discussions during our outreach. Based on these discussions, we have identified several concerns about the proposal.

Inconsistencies between the financial reporting and audit standards

Concern: We recognize that many financial reporting frameworks establish a minimum period for going concern assessment, and that the proposed change does not contradict financial reporting framework requirements. Nonetheless, in our view, aligning the period covered by management's going concern assessment between financial reporting and auditing standards is in the public interest. Without aligning the financial reporting and auditing standards, auditors will be placed in a position when they are, in effect, imposing financial reporting requirements on the entity. Furthermore, auditors will have no recourse should management refuse to extend the going concern assessment period.

Suggest: We acknowledge the IAASB's past efforts in engaging the financial reporting standard setters to undertake a project on going concern. However, given the strong call for alignment between the financial reporting and audit standards, and the public interest concerns of not doing so, we believe the IAASB should request that the IASB and the IPSASB consider limited scope amendments to align:

the minimum going concern assessment period; and

disclosure of the going concern assessment period.

Lack of transparency on the period covered by management's going concern assessment

Concern: The proposed new requirements in ED-570 may result in different going concern assessment periods for each audit engagement depending on the approval date and whether management is able (and willing) to extend the going concern assessment period when requested to do so by the auditor. The going concern assessment period should be transparent to the financial statement users.

Suggest: Transparency on the going concern assessment period should be provided by management.

As indicated in our comment regarding coordination with the IASB and IPSASB, the IAASB should request that the IASB and the IPSASB consider a limited scope amendment on going concern, which could include disclosure of the going concern assessment period.

In the absence of the financial reporting requirements on the disclosure of the going concern assessment period, the IAASB may consider developing application material for the auditor to encourage management to disclose the going concern assessment period.

Lack of clarity on the date of approval of the financial statements

Concern: During the audit, management and the auditor may not know the date the financial statements would be approved. This requirement may present practical challenges for both management and auditors, particularly for audits of LCEs and many other non-listed entities.

Suggest: To make the requirement more practicable, we suggest an application paragraph be added to assist the auditor in determining the expected approval date. For example, the auditor may discuss with management the expected financial statement approval date and may consider factors such as filing deadlines and past experiences on when the financial statements were approved.

Financial reporting frameworks may use different terminology to describe “the date of approval of the financial statements”

Concern: Some financial reporting frameworks may use different terminology to describe the “date of approval of the financial statements”, and there may be nuances surrounding that date. For example, IAS 10, Events After the Reporting Period, uses the term “date the financial statements are authorized for issue” and explains that, in some circumstances, the date of approval of the financial statements may not be the same as the date the financial statements are authorized for issue.

Suggest: We suggest that the IAASB include an application paragraph similar to para. A4 to provide guidance on the different terminologies that may be used in the applicable financial reporting framework:

The applicable financial reporting framework may use different terminology to describe the “date of approval of the financial statements”. For example, IAS 10 uses the term “date the financial statements are authorized for issue” and explains that, in some circumstances, the date of approval of the financial statements may not be the same as the date the financial statements are authorized for issue. Regardless of the terminology used in the applicable financial reporting framework, if management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements as defined in ISA 560, the auditor is required by paragraph 21 to request management to extend its assessment period to at least twelve months from that date.

Clarity on the flexibility intended in para. 22 and A44 needed

Concern: We agree with the intended flexibility provided in paragraphs 22 and A44 as explained in the Explanatory Memorandum. However, auditors are worried about using the “flexibility” due to concerns about how to appropriately justify the use of the flexibility.

Suggest: We suggest developing further examples of circumstances when it may be appropriate to limit the request to 12-months from the financial statement date. For example, this may be the case for not-for-profit and government organizations that are funded on an annual basis and management does not have an informed basis to perform a going concern assessment beyond that date.

Compagnie Nationale des Commissaires aux Comptes and Conseil National de l'Ordre des Experts-Comptables (CNCC & CNOEC)

We support the change in the commencement date of the twelve-month period of management's assessment of going concern, but on condition that the application paragraph A44, relating to the situation where the Management has chosen not to extend the period of assessment, remains as it is proposed in the ED. We do believe that in many instances, when management will refuse to extend the period of assessment, the auditor will be able to obtain sufficient evidence by other means.

Japanese Institute of Certified Public Accountants (JICPA)

We support the change in the commencement date of the period of management's assessment of going concern, except for the points we commented below. We appreciate the flexibility provided in paragraph A44 of the application material and such application material allows us to support the change in the commencement date.

Comment on paragraph A29, auditor's evaluation of management's assessment

As stated in paragraph A29, management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's evaluation. In addition, we believe it is important that management's assessment is performed on an ongoing basis until the date of approval of the financial statements. Therefore, we believe that it would be beneficial to mention in the application material that if management has performed a preliminary assessment, the auditor may consider the preliminary assessment and its updates in order to facilitate the evaluation of management's assessment efficiently. Similarly, if management frequently makes assessment as part of continuous monitoring, as described in paragraph A18, we believe it would be beneficial to consider such continuous assessments and updates. In particular, we suggest that the following two points to be mentioned in paragraph A29 or in a separate paragraph following paragraph A29.

Management's assessment is made for the period beginning on the date of approval of the financial statements, which is a future date after the date of the financial statements. As such, management may perform a preliminary assessment prior to the date of approval of the financial statements (or, if applicable, prior to the date of the financial statements) and update its assessment.

Management's assessment of the entity's ability to continue as a going concern is a key part of the auditor's evaluation. Therefore, if management makes preliminary assessments or frequently makes assessments as part of continuous monitoring as described in paragraph A18, it is beneficial for the auditor to consider such assessments and its update in order to continue paying attention throughout the audit to information about significant events or condition that may cast significant doubt on the entity's ability to continue as a going concern.

4. Accounting Firms

Assirevi

We agree with the proposed change in the commencement date of the minimum period of management's assessment of going concern (i.e., to the date of approval of the financial statements by management). The extension of the minimum period to at least 12 months from the date of approval of the financial statements contributes to responding to a public interest need as it requires management to assess the entity's ability to continue as a going concern on the basis of information related to a more relevant period, as this assessment is made at the date of preparation of the financial statements. This is even more important when there is a significant time gap between the reporting date and the date of preparation of the financial statements. We also agree that this time horizon is not inconsistent with the requirements of financial reporting standards such as the IFRS and the Italian GAAP, for which the 12-month period starting from the reporting date is a minimum period, which is not incompatible with the indications provided in ED-570.

However, neither the IFRS nor the Italian GAAP provide guidance about events or circumstances that would require management to extend the minimum period to more than 12 months from the reporting date. The lack of such guidance could create application challenges for the auditor and difficulties in engaging with management, especially if management has limited its assessments of going concern to a shorter time period than that recommended by ED-570 while still complying with the applicable financial reporting framework. Therefore, we believe that the IAASB should defer the introduction of this proposed change about the commencement date of the minimum period until after it has coordinated its approach with the relevant accounting standard setters (e.g., the IASB).

BDO International (BDO)

We agree with the change in commencement date, it is already common practice in several countries, and it will promote consistency of application globally. From a user of financial statements perspective, this will likely support the public interest.

The flexibility provided in paragraphs 22 and A43-A44 of the ED-570 is practical, but we would propose additional wording in paragraph A44 to make it clear that the auditor did not obtain new information or audit evidence from risk assessment procedures and related activities which might have indicated the existence of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern and the auditor obtained sufficient appropriate audit evidence that supports their professional judgment about the appropriateness of the management's use of the going concern basis of accounting. The following wording, in blue text, is proposed to be included in paragraph A44:

"A44. Where management has chosen not to extend the period of assessment, management and those charged with governance may be able to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. For example, this may be the case when the entity has profitable operations and has no liquidity concerns, and management or those charged with governance have not identified any events or conditions that may cast significant doubt beyond the period of assessment they have chosen. The auditor has also not obtained new information or audit evidence from risk assessment procedures and related activities which might indicate the existence of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern. The additional information provided the auditor with sufficient appropriate audit evidence to support their professional judgment about the appropriateness of the management's use of the going concern basis of accounting."

In addition, we would also request the IAASB provide in the example noted above the nature and extent of the ‘additional information’ that management or those charged with governance could provide to enable the auditor to form a professional judgment about the appropriateness of the going concern assumption.

We will also find it beneficial if the IAASB provide application guidance and/or examples of the relationship between Subsequent Events and Material Uncertainty (Related to Going Concern) and the importance of sufficient appropriate disclosures in the financial statements.

CohnReznick LLP (CHR)

We support the change in the commencement date of the twelve-month period of management’s assessment of going concern, from the date of the financial statements to the date of approval of the financial statements.

Regarding management’s assessment and the need for management to extend, we believe the proposed requirements create a situation where the auditor may be the only party making the assessment. We question the implication of this on the auditor’s objectivity and independence as the auditor would in effect be stepping into the role of management to make such an assessment. We suggest the Board adopt the AU-C 570.27 approach and the related application guidance at .A59. That approach provides more clarity as to the expectations of the auditor in practice and results in the auditor still being able to engage in constructive dialogue with management, but without any ambiguity as to management’s responsibility for the going concern evaluation.

Management Unwilling to Perform or Extend Its Evaluation

.27 If management is unwilling to perform or extend its evaluation to meet the period of time required by the applicable financial reporting framework when requested to do so by the auditor, the auditor should consider the implications for the auditor’s report. (Ref: par. .A59)

.A59 In certain circumstances, the auditor may believe it necessary to request that management perform or extend its evaluation to meet the period of time required by the applicable financial reporting framework. If management is unwilling to do so, a qualified or adverse opinion in the auditor’s report may be appropriate. For example, management may be unwilling to extend its evaluation because it believes it has satisfied the requirements to conclude whether substantial doubt exists about the entity’s ability to continue as a going concern for a reasonable period of time when the applicable financial reporting framework requires management to make this evaluation. If, in the auditor’s judgment, management’s conclusion is not adequately supported, the auditor may conclude that a qualified or adverse opinion for a departure from the applicable financial reporting framework is appropriate in these circumstances. Section 705 provides guidance related to the modification of the auditor’s opinion. In addition, management’s unwillingness to make or extend its evaluation to meet the period of time required by the applicable financial reporting framework may be an indicator of a deficiency in internal control that is required to be evaluated to determine whether it constitutes a significant deficiency or material weakness in accordance with section 265

Deloitte Touche Tohmatsu Limited (DTTL)

Yes, we are fully supportive of the change in the commencement date of the twelve-month period of management’s assessment in the proposed standard, as we believe it is a best practice that is in place in many jurisdictions today and it enables more current information to be considered in the assessment.

As noted in the Significant Concerns section of the cover note of this letter, we recommend that the IAASB, through the Monitoring Group and the Public Interest Oversight Board, continue to encourage the IASB to add to its agenda a project to align the timeline in IFRS Accounting Standards with this proposed change in commencement of management's assessment period. Not having the assessment periods be equivalent in the accounting and auditing standards puts the auditor in a difficult and unequal position to management, particularly when management is unwilling to change the commencement date of the twelve-month period to the date of approval or to extend their assessment.

Ernst & Young Global Limited (EY)

We support the IAASB's issuance of ED-570 as we believe there are valuable enhancements that can be made to modernize and strengthen the auditor's work and reporting related to going concern. However, because there is an interrelationship with accounting frameworks as it relates to addressing auditor responsibilities for going concern, we recommend that the IAASB continue to engage with the International Accounting Standards Board (IASB) on the importance of commencing a project to clarify going concern requirements in IFRS. Although we agree with many of the proposals to enhance auditor responsibilities related to going concern independently of how it is dealt with in the financial statements, enhancements to accounting frameworks would facilitate a more robust basis for the auditor's responsibilities related to going concern, particularly to establish a more robust foundation for increased transparency in the auditor's report.

Yes, we support the change in the commencement date of the twelve-month period of management's assessment of going concern from the date of the financial statements to the date of approval of the financial statements. However, we acknowledge that the proposed change will create an inconsistency between the commencement date required by the auditing standards and the commencement date required by certain financial reporting frameworks. Refer to our response to Q2 regarding the importance of commencing a project to clarify going concern requirements in IFRS.

In the absence of alignment with the applicable reporting framework, we believe that guidance could be expanded to assist the auditors in situations where an extension of management's assessment is necessary for the auditor to comply with the auditing standards but may not be necessary for management to comply with the applicable financial reporting framework.

Specifically, the guidance should address the nature and extent of procedures the auditor requests management to undertake in extending their assessment as required by paragraph 21 of ED-570. When management has complied with the applicable reporting framework (e.g., IFRS) by completing their assessment taking into account all available information about the future, which is at least twelve months from the end of the reporting period (refer to paragraph 26 of IAS 1), and there is no further information identified by the auditor or management that suggests management's assessment would differ when extended to twelve months from the date of approval of the financial statements, we believe that no further procedures would be required of management or the auditor.

KPMG International Limited (KPMG)

We are also supportive of the proposed changes to the commencement date for the period of management's assessment, from at least twelve months from the date of the financial statements to at least twelve months from the date of approval of the financial statements, as well as the greater emphasis on two-way communication about going concern matters with management/Those Charged With Governance (TCWG).

We are supportive of a change in the commencement date of the period of management's assessment, from at least twelve months from the date of the financial statements (the 'reporting date'), to at least twelve months from the date of approval of the financial statements. We consider that this revised commencement date is more appropriate in terms of being better aligned with the concept of 'going concern' itself, as a fundamental assumption underlying the basis of preparation of the financial statements. This change becomes increasingly important as the period between the date of approval of the financial statements and the reporting date increases. This change would align with the approach already implemented successfully in a number of jurisdictions, e.g., the UK, Canada and Australia, in this area.

We agree with the IAASB that this approach would not be inconsistent with the requirements of most recognised financial reporting frameworks, e.g. IFRS Accounting Standards, which establish a minimum time period in respect of which management is required to take into account all available information in making the going concern assessment (e.g. for IAS 1, this is at least but not limited to a 12-month period from the reporting date) and would permit a longer timeframe, where appropriate. A42 specifically acknowledges this.

We agree with the minimum period of time for management's assessment not being longer than (at least) 12 months from the date of approval of the financial statements, given that the further into the future events/conditions are expected to occur, the more uncertainty there is involved, and therefore it may be challenging to obtain sufficient, appropriate audit evidence about events beyond this date. We therefore believe the IAASB has struck an appropriate balance as the period of at least 12 months from the approval date is sufficiently long so as to be informative, however, not so long that uncertainty is introduced to such a degree that neither management nor the auditor is able to reach a conclusion or provide meaningful information. We also highlight that a period of 'at least, but not limited to, 12 months' is aligned to the fact that most financial reporting cycles, and audits thereon, are on an annual basis, supplemented by updated information provided in respect of interim periods (at least for larger/more complex entities).

We also support this continuing to be expressed as 'at least 12 months from...' i.e. to express this a minimum period, which aligns with most recognised financial reporting frameworks, including IFRS Accounting Standards, to acknowledge that a longer timeframe may be appropriate. We recommend, however, that the application material provide more guidance with respect to the concept of 'at least', but not limited to, to avoid a presumption by management and auditors, that a period 12 months from the date of approval is, by default, an end-date. Such application material should focus on the need to evaluate relevant information and for management to determine what information is relevant and then establish their period of assessment having considered such information, i.e. that the information about the future that may result in the identification of events or conditions that may cast significant doubt over the entity's ability to continue as a going concern determines the appropriate period of management's assessment and not vice versa. The application material should focus on the judgement to be made by auditors when evaluating management's assessment, including the factors to consider in determining 'significance' of events or conditions to the going concern assessment, and that such events or conditions would need to be more significant, in order to be relevant, the further into the future in which they occur. It may also be helpful to include an explicit requirement for the auditor to evaluate the appropriateness of the period of management's assessment, with the application material to provide guidance as to when it may be appropriate for the period of assessment to extend beyond 12 months from the date of approval.

We recognise that the ED, at paragraphs 21-23, permits some flexibility where management's assessment covers less than 12 months from the date of approval of the financial statements, and we believe this flexibility is important to address circumstances in which the financial reporting framework expresses the

commencement date differently (e.g., from the reporting date) or does not express a minimum timeframe. We believe the steps set out in the application material to address such circumstances, i.e., that the auditor would first discuss with management and TCWG as to the reasons for the decision not to extend, and, in particular, that the auditor would consider whether it is possible to obtain sufficient appropriate audit evidence using additional information provided by management, are appropriate and do not generally undermine the related requirements. We agree that this may not constitute a scope limitation when operations are profitable and there are no liquidity concerns, and no events or conditions that may cast significant doubt beyond the period of assessment have been identified by management/TCWG. This is consistent with other application material, e.g., at A30 (which is also consistent with A9 in the extant standard) which allows similar flexibility, e.g. noting that a lack of detailed analysis “may not prevent the auditor from concluding...for example, when the entity has profitable operations and there are no liquidity concerns”.

However, we note that paragraph A43 refers to the unwillingness of management to “make or extend its assessment [emphasis added]” and we are concerned that an auditor could inappropriately conclude that, in circumstances when the entity has not made any assessment, or there is a significant period of time between the reporting date and the date of approval of the financial statements, that the auditor may be able to perform procedures in an attempt to compensate for management’s lack of assessment, which we do not believe would be appropriate in such circumstances. We suggest that the application material remove reference to no assessment having been made, as we consider that the applicable financial reporting framework will nearly always require management to make an assessment.

Instead we believe the focus should be on when management is unwilling to extend its assessment, which is a situation that may be expected to arise more frequently given the change in the commencement date for the period of assessment as described in the ED, e.g. management may prepare budgets or forecasts for 12 months from the reporting date and may not be willing to extend these to 12 months from the date of approval of the financial statements. This scenario may arise, in particular, in respect of small and less complex entities.

We therefore also recommend that the ‘flexibility’ be focused on what form an assessment may take; the nature and extent of the assessment, i.e. that such an assessment may be less detailed if operations are profitable and there are no liquidity concerns (although would need to be in sufficient depth to support this fact), and that an assessment may be less formal/detailed in respect of a smaller and less complex entity.

We believe these proposed changes would more closely adhere to the principle of ‘management goes first’ as they are best placed to make an assessment, and as the standard itself acknowledges at A30, it is not the responsibility of the auditor to rectify a lack of analysis by management. We suggest that the standard provide clearer guidance regarding relevant factors for the auditor to consider when evaluating whether the analysis supporting management’s assessment is appropriate and sufficiently detailed, such as the size and nature of the entity; the length of time between the reporting date and the date of approval of the financial statements, and emphasise the need to exercise professional skepticism and professional judgement in making these considerations. The related application material should also guide the auditor to consider whether and when a refusal to extend the assessment would constitute a scope limitation.

We also recommend that the application material discuss steps the auditor may take to help avoid these challenges arising in the first place, e.g., the auditor may consider including the length of the period of management’s assessment as a precondition in the terms of engagement, to ensure management and those charged with governance agree to this upfront.

Whilst we welcome the proposed changes to the commencement date of the period of management's assessment of going concern, we recommend that the "flexibility" introduced focus more on what form management's assessment may take and factors that may affect the nature and extent of their assessment. We believe this would more closely adhere to the principle of 'management goes first' as they are best placed to make an assessment, and it is not the responsibility of the auditor to rectify a lack of analysis by management. We suggest that the standard provide clearer guidance regarding relevant factors for the auditor to consider when evaluating whether the analysis supporting management's assessment is appropriate and sufficiently detailed. The related application material should also guide the auditor to consider whether and when a refusal to extend the assessment would constitute a scope limitation. We also recommend that the application material discuss steps the auditor may take to help avoid these challenges arising in the first place, e.g., the auditor may consider including the length of the period of management's assessment as a precondition in the terms of engagement, to ensure management and those charged with governance agree to this upfront. (Please see our response to Question 7 for further details).

PKF International Limited (PKF)

We are generally supportive of the change in the commencement date of the twelve-month period of management's assessment of going concern. However, we would suggest that the IAASB also considers the following:

1) Definition of "approval"

The term "approval of financial statements" may be interpreted as the date of Board approval of the financial statements. However, in other jurisdictions this may be interpreted entirely differently (e.g., the financial statements may not be formally approved until they are subject to a shareholder vote at an AGM).

To ensure consistency of application of the term "approval" across the different jurisdictions, we recommend that the IAASB include a definition of the term "approval" within ED-570.

2) Restatement of prior period financial statements

We recommend that the IAASB consider whether the proposed standard adequately addresses the circumstances of a restatement of prior period financial statements and whether there could be a consequence to the audit of restated periods relating to the proposed date change in ED-570.

Specifically, can the IAASB clarify whether, in the event that a restatement is required for a prior period, a revised going concern assessment would be required for that prior period through to the date of approval of the current period's financial statements.

In most cases, where the entity is a going concern, this would seem unlikely to have any consequence on the audit, since the auditor is already required to perform a going concern assessment for the entity in the current period through to the approval of the financial statements.

However, where an entity has effectively lost its going concern status between the date of the prior period financial statements (now restated) but before the approval of the current period's financial statements, it is unclear what the responsibilities of the auditor are in this situation and whether the restated prior period needs to be prepared on a basis other than as a going concern. We recommend that the IAASB offer further guidance on this situation.

PriceWaterhouseCoopers (PwC)

Period of management's assessment

We support the proposed change in commencement date of the twelve-month period of management's assessment to be the date of approval of the financial statements. This is already established practice in a number of jurisdictions, and while we acknowledge the fact that applicable financial reporting frameworks may refer to an alternative commencement date, we are not aware that auditor requests to cover a period of at least twelve months from date of approval has caused any issues in practice. However, it would be beneficial for the IAASB to further discuss with the IASB the benefits of aligning the evaluation period required for management's assessment to the period required as part of the auditor's evaluation of management's assessment.

Yes, we support the proposed change. While we acknowledge that the proposed change may be perceived in certain jurisdictions as the auditing standards overriding the requirements of the applicable financial reporting framework, we believe, given the nature of the requirement (simply a request of management rather than the auditor assuming a management responsibility as above), that this is acceptable. In circumstances when the financial statements are prepared and an audit is performed significantly after the balance sheet date, management's assessment, if based on the balance sheet date, may only extend for a few months beyond the date on which the financial statements are approved. Therefore, it is reasonable, and likely expected by users, that a more appropriate forward-looking assessment is made from the date of approval of the financial statements.

Moreover, we note that the proposed change is consistent with existing practice in many jurisdictions. To the best of our knowledge, this change has not posed any significant challenges in practice, particularly in cases when the applicable financial reporting framework only requires management to consider a twelve-month period from the balance sheet date.

While we support the change in the commencement date of management's assessment, we question whether there is a potential conflict between paragraph 21, which requires the auditor in all cases to request management to extend its assessment, and paragraph A44, which explains that management may be able to justify not extending their assessment. The application material can be perceived as overriding the requirement. We believe this can be resolved by amending paragraph 21 to leverage the concept included in paragraph A44, as follows:

"If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements as defined in ISA 560, the auditor shall:

request management to provide additional information to support the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements; and

when necessary, request management to extend its assessment period to at least twelve months from the date of approval of the financial statements."

Paragraph A44 can be amended accordingly to reflect the revised wording of the requirement and further explain, via an example, circumstances when the auditor may conclude it is necessary to request management to extend its assessment. We also suggest that the order of paragraphs A43 and A44 be reversed.

It would also be beneficial for the IAASB to further discuss with the IASB the benefits of aligning the evaluation period required for management's assessment to the period required as part of the auditor's evaluation of management's assessment. Furthermore, consistent with our response to question 5, while extending the period of assessment is a helpful change, this alone is unlikely to fundamentally address the information needs of users that we believe stakeholders are increasingly seeking regarding longer-term

viability. That informational change requires coordinated actions by securities regulators and others in the corporate reporting ecosystem establishing accountability and reporting frameworks.

6. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants (BICA)

The proposed change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements to the date of approval of the financial statements, raises an important question about the timing and reliability of such assessments.

Supporting the change in the commencement date to the date of approval of the financial statements has its merits. It aligns the assessment period with the finalization of the financial statements, providing a more accurate and up-to-date evaluation of the entity's ability to continue as a going concern. This change ensures that management considers all available information before approving the financial statements, reducing the risk of making decisions based on outdated or incomplete data.

In addition the proposed change introduces flexibility in situations where management is unwilling to make or extend its assessment. Paragraphs 22 and A43-A44 of ED-570 outline the steps auditors should take in such cases. The auditor is required to discuss the matter with management and, if necessary, with those charged with governance to understand the reasons behind management's decision. This dialogue then allows the auditor to gather additional information and assess the appropriateness of management's use of the going concern basis of accounting. On the contrary shifting the commencement date to the date of approval may shorten the assessment period in some cases, potentially limiting the time available for management to identify and address any going concern issues. This could increase the risk of financial statements being prepared on a going concern basis when there are significant doubts about the entity's ability to continue operating.

Center for Audit Quality (CAQ)

We support the change in the commencement date of the twelve-month period of management's assessment of going concern to the date of approval of the financial statements.

As noted previously, it is important for the auditing and accounting standards related to going concern to work in concert. A critical component of this alignment would be alignment of the evaluation period required for management's assessment to what is required in the auditor's evaluation. We recommend that the IAASB continue to encourage the IASB to take up a project to align IAS 1.

Additionally, as also noted previously, we have a concern regarding scalability of the proposed requirement in paragraph 21 that the auditor shall request management to extend its assessment period to at least twelve months from that date [of approval of the financial statements]. We believe that in certain circumstances it may be appropriate for the auditor to use professional judgment to determine that it is not necessary for management to extend its assessment.

Chamber of Auditors of the Czech Republic (CA CR)

We agree that from the perspective of users of financial statements, the period of 12 months from the date of approval of the financial statements is appropriate. However, in a lot of financial reporting frameworks (including Czech GAAP), the period required to be assessed by the management is defined 12 months from the date of the financial statements. This also reflects the reality of the planning/budgeting process in smaller entities where budgets are prepared for the nearest fiscal accounting period only. It is often not realistic to expect management to perform a structured evaluation for a period ending 12 months from the

audit report date (i.e. usually in the middle of the second period after the balance sheet date). In smaller and less complex entities with no significant external financing, the plans for more extended periods actually do not exist. In cases where no events or conditions have been identified that may cast significant doubt about the entity's ability to continue as a going concern, the management does not feel the need to make anything else (for the period beyond 12 months from the balance sheet date) except for the statement that they do not intend to cease or significantly change the business.

We propose to clearly state (possibly in the application section of the standard) that the form of the management's assessment or plans and consequently extent of the auditor's procedures could differ according to the period covered (i.e. more detailed and formal evidence may be available for 12 months after the financial statement date and less detailed or informal one for the remaining period until the end of the 12 months period from the auditor's report date).

Further, we propose to include a specific example in the application material which will reflect the situation in a less complex entity where the owner is a manager and where no significant doubt about the entity's ability to continue as a going concern exists.

Colombia's National Institute of Public Accountants (INCP)

Yes, we agree, management's assessments must be performed at least 12 months from the date of approval of the financial statements. However, we consider that the accounting frameworks should also be aligned under this parameter. This will prevent unnecessary discussions between the auditor and the management of companies. We know that this alignment it is difficult to achieve, but the IAASB may take concertation actions with other organisms.

Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili (CNDCEC)

First, we want to highlight that the change proposed in paragraph 21 of ED-570 would create an inconsistency with the accounting frameworks (i.e., IAS/IFRS) which provide for a period of 12 months from the date of the financial statements, in our opinion, such inconsistency needs to be resolved. For what concerns the possibility to require management to extend the assessment period, already provided for by extant ISA 570 (Revised), it would be appropriate to include in ED-570 some examples of practical cases in which the auditor may require such extension, which will involve a major commitment of both preparers and auditors.

First, there is need to highlight that if the proposed change related to the period of the management's assessment of going concern is maintained in the final version of the standard, it should be coordinated with the applicable accounting frameworks (i.e., IAS/IFRS) which, still today, provide for a different period.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We support the change in principle.

While we support the change, we are concerned that this change may create an inconsistency with financial reporting standards applicable in some jurisdictions. If such an inconsistency is widespread, we suggest leaving flexibility to allow a change in the commencement date if deemed appropriate based on assessed risks.

Institute of Chartered Accountants in England and Wales (ICAEW)

The proposed requirement to change the commencement date of the twelve-month period of management's assessment of going concern from the date of the financial statements to the date of approval of the financial statements is consistent with current UK requirements. ISA (UK) 570 requires auditors to request

management to extend its assessment period to at least twelve months from the date of approval of the financial statements.

We agree that it is in the public interest for management's going concern assessment to cover twelve months after the approval of the financial statements, but we note that there is no equivalent requirement within IFRS for management to extend their assessment. The proposals require auditors to ask management to perform work which is not directly required of them. We recommend that the IAASB engages with the IASB to encourage greater alignment between accounting and auditing standards.

Institute of Chartered Accountants of Sri Lanka (ICASL)

We are in agreement with the suggestion. However, If the date of approval of the financial statements is taken there is a concern that if management delays in approving the financial statements the period that needs to be assessed will be longer, also sufficient information to assess the entity's ability to continue as a going concern may not be available.

Hence, this could be made mandatory only for Listed Entities and PIE's.

We support the change in the commencement date of the twelve-month period for listed entities and non – listed PIEs.

However, in the context of non-PIEs and smaller entities, such entities do not have regulatory filing requirements. There could be a significant gap between the balance sheet date and the date the financial statements are approved. This could result in greater subjectivity to financial forecasts used as part of the going concern assesment and introduce inefficiencies in getting the audit completed.

Accordingly, we believe change in the commencement date of the twelve-month period for non-PIEs and smaller entities should be encouraged, but not mandatory

Institute of Singapore Chartered Accountants (ISCA)

We agree that the date of approval of the financial statements is more appropriate as the commencement date of the going concern assessment. However, for this to be effectively implemented, we believe that the areas below will need to be addressed.

Misalignment to accounting standards

In assessing going concern, paragraph 26 of the International Accounting Standard (IAS) 1 Presentation of Financial Statements only requires management to take into account information at least but not limited to twelve months from the end of the reporting period.

The misalignment in requirements between paragraph 26 of IAS 1 and paragraph 21 of the ED could create an unintended, but undesirable, impression that the auditor has a greater responsibility over going concern than management. If the commencement date of the assessment is changed in the auditing standard, the IAASB should coordinate with the International Accounting Standards Board (IASB) to revise IAS 1 as well.

A potential significant challenge faced by auditors arising from such misalignment is that they would face difficulties in requesting management to extend the assessment period since it is not mandated under the IAS 1. This would be particularly challenging where the financial statements are issued after an extended period of time, for instance, where audit reports are issued more than a year after the financial year end This may lead to a limitation on the scope of the audit. Auditors commonly conduct the assessment by reviewing the approved budget or cash flow projection, which typically covers twelve months from the financial year end. The period beyond that would not have been approved by the board of directors and hence will be

subjected to a higher degree of uncertainty. It would be useful for the application material to clarify the extent of work required for this additional period due to the change in commencement date, drawing reference to the principles of ISA 560 Subsequent Events.

Malaysian Institute of Accountants (MIA)

Yes. Given the evolving uncertain environment that may create a threat to the entity's ability to continue as a going concern, we support the change in the commencement date of the 12-month period of management's assessment of going concern to the date of approval of the financial statements.

We also support the flexibility provided in ED570.A43 and ED570.A44 as this will allow auditors to exercise professional judgment in determining whether a sufficient assessment has been performed by management, taking into account the size, complexity and "financial viability" of the company, and in determining what is deemed a sufficient level of audit work on that assessment.

Other considerations

As a general point, whilst we support the above reformation, we believe that:

reform should begin with new and more specific responsibilities for directors to assess the going concern. Hence the requirements on auditors to evaluate the 12-month period of management's assessment of going concern from the date of approval of financial statements needs to be align with the requirements of the financial reporting framework (for instance, IAS1 currently only requires a period of at least 12 months from the reporting date).

in respect of ED570.A45, regulators play an important role in closing the expectation gap that already exists between management's and auditor's responsibilities in relation to the going concern assessment. Therefore, it is important for regulators to promote stakeholder understanding of the auditor's responsibilities and thus encourage management to extend the "look forward" period in their assessment to cover the minimum 12 months required for going concern from the date of the approval of financial statements. This would then better inform the auditor's assessment over the 12-month going concern period.

Malaysian Institute of Certified Public Accountants (MICPA)

We do not have any objection to this. However, we suggest the IAASB clarify the timing covered to extend auditor's enquiries beyond management's assessment period as per Paragraph 20 of the ED-570.

8. Individuals and Others

Altaf Noor Ali Chartered Accountants (ANA)

The twelve-month period for the going concern shall commence on the signing of audit report rather than the date of approval of financial statement, if the difference between the two is more than a month. R7

Yes.

We fully support that the twelve-month period of management's assessment of going concern shall commence from the date of approval of the financial statements, as proposed by para 21 of ED-570.

The management is clearly responsible for the financial statements. International Accounting Standard (IAS) 1 requires management to make an assessment of an entity's ability to continue as a going concern. It is therefore logical that they take the responsibility for the going concern.

When it comes to the public interest is it more appropriate to commence the twelve-month period from the date of the report of the auditor? Unless the Member Body makes it difficult to back-date, the profession attaches great importance to the date of the report of the auditor.

The date of the approval of financial statement and the report of the auditor may be the same but not necessary. The auditor issues report after the approval of the financial statement. What if the duration between the two dates is wide?

We consider the date of the report of the auditor carries more significance. If there is a long duration between the two dates, we recommend that the date of audit report appears to be more significant in this context.

Q07 - Disagree

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Paragraph 39 of the Explanatory Memorandum states that IAS 1 requires a minimum management assessment period of at least 12 months from the reporting period but does not cap the outlook to no more than 12 months; and that pursuing a different commencement date of the twelve-month period of management's assessment of going concern would not be inconsistent with the requirements of recognized financial reporting frameworks. From this the IAASB has stated its view that pursuing a different commencement date in the Exposure Draft than the period of management's assessment enables greater auditor comparability and consistency among jurisdictions globally.

We acknowledge the IAASB's views and understand that some public interest stakeholders believe the auditor's commencement date and timeline to evaluate management's assessment of going concern needs to be reformed and strengthened irrespective of the requirements (or lack thereof) in the applicable financial reporting framework. However, while we acknowledge that auditors can make an assessment about forward-looking going concern uncertainties based on the audit evidence obtained, forcing accounting practices through audit standards could have negative unintended consequences due to the auditing standards dictating management responsibilities.

When ASU 2014-15 was issued to require that management first evaluate events or conditions that may raise substantial doubt about the entity's ability to continue as a going concern for one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable), the ASB responded in-kind with updates to AU-C 570 by requiring that the auditor's going concern assessment be made to address a "reasonable period of time." AU-C section 570 defines a reasonable period of time as "the period of time required by the applicable financial reporting framework or, if no such requirement exists, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable)." Together, the U.S. accounting and auditing environment have established a clearer understanding for users and have driven more consistency in performance responsibilities by management and auditors alike.

We believe that public interest needs are not served without a corresponding strengthening of applicable financial reporting frameworks, such as IAS 1. Refer to our response to Question #16 for additional recommendations to urge IASB action.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

We have concerns that some proposals are not within the remit of auditing standards, such as an explicit Going Concern disclosure by the management or the period of management's assessment. There is also a lack of scalability in ED-ISA 570 since it does not address cases where the risks related to going concern are easy to assess or, if any, are extremely remote.

We support the renewal of the timeline to a period of 12 months from the date of preparation of the financial statements.

In addition, we point out (see also para 2 above), that an extension of the going concern assessment period cannot be required solely from the perspective of auditing standards. It is also necessary that the relevant accounting standards provide for a corresponding period requirement, as the auditor can only refer to such standards as applicable criteria.

Hong Kong Institute of Certified Public Accountants (HKICPA)

We support the spirit of the proposed changes which would enhance the robustness of the auditor's evaluation of an entity's going concern. However, we are mindful that a misalignment between ED-570 and the financial reporting framework (such as IAS 1, Presentation of Financial Statements) would create potential difficulties in practice.

In Hong Kong, an audit of financial statements is a statutory requirement for all companies (including private companies), except for dormant companies. Management are required to prepare audited financial statements within three to nine months after the end of the reporting period, while some companies may take a longer time in certain circumstances. Accordingly, the proposal in ED-570 would require management to provide their going concern assessment to auditors covering up to almost 24 months after the end of the reporting period. For private companies, the approval date of financial statements is often subject to change and may not be known upfront with certainty. Any deferral of the approval date would require the auditor to reassess management's going concern assessment taking into account the deferred period, often within a tight deadline, which could create confusion and involve additional work effort out of proportion to the benefit that may be achieved.

Paragraph 38 of the explanatory memorandum states that some jurisdictions have amended their national equivalent auditing standards to require auditors to evaluate an entity's going concern assessment commencing from the approval date of the financial statements. We note that some of these jurisdictions also require preparers to evaluate the entity's going concern using the same timeframe. However, in Hong Kong, preparers are not subject to additional requirements on the timeframe used in assessing the entity's going concern. While auditors could request management to extend the period used in their going concern assessment and include a clause in the engagement letter on the period covered by management's going concern assessment, we are mindful that this is not a necessary pre-condition for an audit engagement and preparers are not subject to ISAs. In practice, most private entities, especially the small and medium-sized ones, apply the minimum prescribed requirement in their preparation of financial statements, which is to assess the entity's ability to continue as a going concern for the twelve months from the end of the reporting period (paragraph 12 of IAS 1).

Some of our stakeholders consider that the "flexibility" provided in paragraph 22 of ED-570 implies that the IAASB has recognized the potential practical difficulties in implementing the proposed timeline over which the auditors' going concern assessment is made. We believe it would not be meaningful and efficient to impose a requirement that cannot be widely applied in practice. Therefore, we urge the IAASB to conduct

research on whether jurisdictions that currently use or intend to use ISAs have imposed national requirements for preparers to commence their going concern assessments for at least twelve months from the financial statements' approval date. Based on the findings, we request the IAASB to reconsider the proposal.

From a drafting perspective, we consider paragraph 22 of ED-570 is unclear regarding the intended flexibility to enable the auditor to obtain sufficient appropriate audit evidence and issue an unmodified opinion when management is able to provide additional information to support the appropriateness of their use of the going concern basis of accounting, even when the period used in management's assessment is less than twelve months from the date of approval of the financial statements. Therefore, we recommend that the IAASB revisit the drafting of paragraph 22 and A43 to A45 by incorporating the guidance outlined in paragraphs 42 and 43 of the explanatory memorandum. This will ensure that the intended flexibility is clearly set out in the standard.

In the event the IAASB does not plan to make a corresponding change with respect to the proposed commencement date requirement to the stand-alone standard for audits of less complex entities (ISA for LCE), there will be differential treatments under the two standards, despite that both standards will enable auditors to provide reasonable assurance. This could result in non-listed entities that apply ISA for LCE or ISA 570 (Revised 202X) being treated differently in their audits.

In order to minimise the potential impact of the proposal to non-listed entities, we would suggest a differential approach to apply the requirement to listed entities only, as they are of higher public interest concern and risk profile. In general, listed companies are subject to a tightened reporting timetable compared with non-listed entities. For instance, companies listed on The Stock Exchange of Hong Kong are required to publish their audited financial statements within three months after the end of the financial period. The stringent reporting timetable of listed companies would enable auditors to determine the period to be covered by their going concern assessment with greater certainty at the earlier stages of the audit and liaise with management upfront. Also, due to the complexity of their operations and financing arrangements, preparers of listed entities are likely to prepare their financial budgets or forecasts pertaining to a longer period than the minimum required by the financial reporting standards. This longer period would likely coincide with the period proposed in paragraph 22 of ED-570 for the purposes of the auditors' going concern evaluation.

We also encourage the IAASB to continue engaging with the IASB to ensure consistency between the financial reporting and auditing standards, including the commencement date of the entity's going concern assessment from the preparer and auditor perspective. If the inconsistency is not addressed, the IAASB should consider other actions such as reconsidering the commencement date in the context of ED-570 and providing guidance to address the practical difficulties that may be encountered in practice.

However, we have concerns relating to the change in the commencement date of the twelve-month period of management's assessment of going concern, as well as the proposed explicit statements in the auditor's report to conclude on management's appropriateness of the use of the going concern basis of accounting. These proposals will create misalignment between the responsibilities of the preparers and auditors, leading to practical difficulties and unintended consequences. We have provided detailed explanations of our views on these matters in our responses to Q7 and Q13 in the attachment. We urge the IAASB to conduct further research and consider all potential consequences before moving forward with the proposals. Moreover, we believe that the IAASB should continue to collaborate with accounting standards setters, including the IASB, and other bodies that set the framework for financial reporting, and encourage them to include the equivalent requirement as preparers' responsibilities in their preparation of financial statements.

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

The proposed change in the commencement date of management's assessment to the date of approval of the financial statements, which results in an extension of the assessment period to twelve months after the date of the approval of the financial statements, is not aligned with some financial reporting frameworks and may cause legal difficulties for auditors in some jurisdictions.

That being said, we also have some concerns with the requirements and guidance in the draft. In summary, we have concerns with the following major issues:

We do not support the draft's proposed change in the commencement date of the twelve-month period of management's assessment of going concern from the date of the financial statements to the date of approval of the financial statements. Our reasons do not relate to such a change being in the public interest per se but relate to the role of auditing standards vs. financial reporting standards and their augmentation through law or regulation.

We do believe that it would be in the public interest for management to extend its assessment period to twelve months from the date of the approval of the financial statements because this approach would alleviate the need to further extend the assessment period when the approval of the financial statements is very late. Furthermore, such a change also aligns the assessment period closer to that used in insolvency law in some jurisdictions, including our own, and helps ensure that management's assessment includes more current information.

However, we note that in the IFRS, IAS 1 requires management to take into account in its assessment all available information about the future for at least, but not limited to, twelve months from the end of the reporting period. IAS 1 has been adopted by the EU by means of a legal instrument and therefore has the force of law throughout the EU, which implies that the assessment period of at least, but not limited to, twelve months from the end of the reporting period is a legal requirement. The words "but not limited to" provide for circumstances in which a longer period may be applied due to late approval of the financial statements, a longer business cycle in some types of businesses, or other reasons that cause management (or the auditor) to believe that a longer period is appropriate or necessary. However, unless these special circumstances are relevant, there is no basis for a blanket requirement for management to extend its period of assessment beyond twelve months from the end of the reporting period and management will quite rightfully indicate that it has no legal responsibility beyond that period and that auditors are not legally empowered to seek to have that period extended in all cases. Auditing standards are directed at auditor – not management – and therefore management would also be able to rightfully claim that those standards do not apply to them.

This matter leads to the role of auditing standards vs. financial reporting standards and their augmentation through law or regulation. We note that, as set forth in the Explanatory Memorandum, in the past the IAASB and other stakeholders have sought to have the IASB improve IAS 1 with respect to going concern in vain. The fact that IFRS have only two paragraphs (in IAS 1) dealing with going concern, which is the single most important issue for investors and creditors – that is, whether or not they will get their money back – indicates the signal failure of the IASB to act in the public interest in this case and the inability of stakeholders of the IASB to move the IASB to do so. Stakeholders (in particular, regulators) have taken the path of least resistance by seeking to remedy supposed deficiencies in financial reporting standards through auditing standards. We believe it to be entirely inappropriate for auditing standards to seek to become the "repair shop" for supposed deficiencies in financial reporting standards. The fact that something is in the public interest does not imply that it is within the remit of the IAASB. As a privately organized standard setter, the

IAASB cannot issue requirements with the force of law or that contravene local law or financial reporting standards.

We recognize that particularly in common law jurisdictions, the distinction between financial reporting standard setting and auditing standard setting is sometimes blurred (i.e., in the past more so – witness the accounting requirements for going concern in the US within the old AICPA Auditing Standards prior to the FASB's treatment of going concern), but even today to some extent, financial reporting requirements are also indirectly set forth through auditing standards, but in civil law jurisdictions, there is often a clearer separation between the authority to set financial reporting and auditing standards. Paragraph 38 of the Explanatory Memorandum indicates that a number of common law jurisdictions have amended their national equivalent going concern standards to require the commencement date of the twelve-month period to be the date the financial statements are issued or approved or when the auditor's report is signed. We believe this information with respect to the US to be misleading because in the US the financial reporting standards issued by the FASB require management to perform its assessment for at least twelve months after the issuance of the financial statements (or the financial statements are available for issue) – that is, the requirements for auditors regarding management's assessment in PCAOB Auditing Standards and in US GAAS as promulgated by the AICPA reflect the requirements in US GAAP. In the cases of Australia, New Zealand, and the UK, it is a national auditing regulator with the legal power to set auditing standards that therefore legally empowers auditors to seek to extend management's assessment beyond that set forth in the financial reporting standards. Consequently, these examples are irrelevant for cases in civil law jurisdictions in which neither financial reporting standards, nor national auditing standards issued by a national auditing regulator with legal powers, require the extended assessment period.

Footnote 22 of the Explanatory Memorandum indicates that in educational material, the IFRS Foundation clarified that considering time periods longer than twelve months after the end of the reporting period is not inconsistent with the requirements in IAS 1 and that requiring consideration of going concern for twelve months from the date that the financial statements are authorized for issue as required by some national regulations is not inconsistent with IAS 1. We agree that considering longer periods is not inconsistent with IAS 1, but we note that requiring longer periods for management's assessment beyond the minimum through auditing standards without legal sanction through a regulator unless special circumstances apply is not legally possible in some jurisdictions. This is consistent with the educational material from the IFRS Foundation that requiring consideration of going concern for twelve months from the date that the financial statements are authorized for issue as required by some national regulations is not inconsistent with IAS 1.

As a result, the proposed change will likely lead to less comparability and consistency among jurisdictions globally, as some national standard setters may need to carve out the proposed extension.

We are not convinced that the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment will alleviate the issues arising from the new requirement in paragraph 21. First, we note the requirement in paragraph 17 that requires the auditor to design and perform audit procedures to evaluate management's assessment always applies and is therefore inconsistent with the requirements in paragraphs 22 and 23 if no assessment has been made. The application material in paragraphs A43 and A44 cannot override the requirement in paragraph 17 (we refer to our response to question 8 that relates to paragraph 17).

Second, the example in the last sentence of paragraph A44 acts as a clear limitation on circumstances when auditors may expect to obtain sufficient appropriate evidence regarding going concern even though management has not extended its assessment by referring to profitable operations, no liquidity concerns, and no identified events or conditions. The use of “and” in these circumstances strongly suggests that all of

these conditions must generally be fulfilled. This means that even if management has fulfilled its responsibilities under IAS 1 for an assessment for twelve months after the end of the reporting period, when such conditions are not present, the auditor will still need to seek to persuade management to extend its assessment beyond that legally required or need to conclude that sufficient appropriate audit evidence has not been obtained.

For these reasons, we do not believe there is a reasonable alternative to extant ISA 570 in which the period of management's assessment is attached to what is required by the financial reporting framework or local law or regulation (whichever is greater), but not less than 12 months after the date of the financial statements.

Royal Dutch Institute of Chartered Accountants (NBA)

Notwithstanding the previous comments, the NBA agrees with the notion that the minimal period for a going concern assessment should be 12 months after the date of the auditor's report.

Overall we are supportive of the Exposure Draft and the clarifications made to the auditor's responsibilities. However, we have significant concerns about the following key items of the proposals which we would like to bring to your attention:

We fully appreciate the interest of stakeholders that (at least) a 12 months period after the date of approval of the financial statement would be relevant for consideration. However, this evaluation or the end date of the evaluation may not be consistent with the requirements in the financial reporting framework. We reiterate that auditing standards should not be used to impose (indirectly) requirements on management to make assessments about going concern.

4. Accounting Firms

Grant Thornton International Limited (GT)

Period of assessment

We do not support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements to the date of approval of the financial statements. We are of the view that this proposed change is effectively setting requirements for management relating to the preparation of the financial statements. Setting such requirements falls outside of the remit of the IAASB. Further, if the financial reporting framework requires that management make an assessment of the entity's ability to continue as a going concern that is shorter than the period required by the auditing standards, this imposes a greater responsibility on auditors than on management for the assessment of the entity's ability to continue as a going concern.

We therefore recommend that the IAASB consider whether it would be beneficial to consider whether further discussions with the monitoring group, regulators and the International Accounting Standards Board (IASB) could help to create alignment between international auditing standards and international accounting standards such that auditor responsibilities and management responsibilities are appropriately aligned.

Management unwilling to make or extend its assessment

We support the additional flexibility provided by paragraphs 22, 23 and A43 - A45, however, we are of the view that additional clarification is needed regarding the implications for the auditor in circumstances where management is unwilling to make or extend its assessment of the entity's ability to continue as a going concern. For example, consider the following two scenarios:

The applicable financial reporting framework requires an assessment period that is shorter than that proposed by ED-570 and the entity has little or no going concern risk, therefore management does not believe it is necessary to extend the going concern assessment.

The applicable financial reporting framework requires an assessment period that is shorter than that proposed by ED-570 and, whilst no material uncertainty that casts significant doubt on the entity's ability to continue as a going concern has been identified, there are significant assumptions within the entity's assessment of its ability to continue as a going concern. However, management does not believe it is necessary to extend the going concern assessment.

The existing guidance provided, whilst helpful, does not include clarification of the actions that the IAASB intends the auditor to take in such, or similar, scenarios. Absent further guidance in this respect, we are of the view that this may lead to inconsistencies in the application of this requirement in practice.

Mazars (MZ)

As explained in our response to question 1, although we support the rationale of the change in the commencement date of management's assessment of going concern, we are concerned about the auditor's ability to mandate or request management to prepare an assessment that complies with the scope of the 12-month period as contemplated by ED-570. We are sceptical about the presumption that our stakeholders or clients will seamlessly adopt an approach to prepare a separate assessment of going concern that is subject to increased levels of subjectivity and scrutiny for external audit reporting purposes (see discussion in paragraph 7 of this letter). This requirement may be particularly challenging in certain regions and jurisdictions. For example, in jurisdictions where the vast majority of companies are owner managed businesses this requirement is seen as particularly problematic by local practitioners.

MNP LLP (MNP)

We do not support the change in the commencement date of the twelve-month period of management's assessment of going concern from the date of the financial statements to the date of the approval of the financial statements. We believe that the assurance standards should be agnostic of the accounting standards and should not go above and beyond what the accounting standards require.

While the proposed change may have less impact on the audit of listed entities, it will create significant practical challenges for audits of less-complex entities as follows:

The proposal may lead to delay in obtaining audit evidence as well as circular audit work in evaluating the twelve-months assessment period starting from the date of the financial statement approval date as this date can be fluid;

The proposal may cause undue burden to certain entities as the information for a proposed assessment period that goes beyond the next fiscal year may not be readily available. It is important to recognize that even if management can provide the requisite information to comply with the standard requirements, such information may be highly subjective thus compromising its reliability and usefulness.

We believe that Extant ISA 570's requirement is clearer and is agnostic of the accounting framework and we suggest the revised standard not deviate from extant ISA 570, which states as follows: Paragraph 13: "In evaluating management's assessment of the entity's ability to continue as a going concern, the auditor shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer period."

RSM International Limited (RSM)

In our attached response to the specific questions posed in ED-570, we make several suggestions with the aim of enhancing the drafting and clarifying certain requirements, such as the commencement date of management's assessment of going concern and certain transparency requirements.

No, we do not support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570). We believe the applicable financial reporting framework should determine the timing and requirements of management's assessment of going concern. For financial reporting frameworks that require management to complete a going concern assessment that is at least twelve months from the date of the financial statements, ED-570 would require the auditor to request management extend its assessment of going concern in all circumstances even if the risk or indications of events or conditions that may cast significant doubt about the entity's ability to continue as a going concern is low or remote. We believe this is not consistent with risk-based auditing and may create an unnecessary burden on management and the auditor without resulting in added benefits to the users of the financial statements. We do not believe requesting management to extend its assessment of going concern should be required in all circumstances but may be performed if the risk assessment would warrant such a request. If management's assessment does not cover a reasonable period after the date of approval of the financial statements or date of the auditor's report, we recommend that ED-570 include a requirement to perform further audit procedures based on the risk assessment regarding the entity's ability to continue as a going concern in order to cover such a period, for example, inquiry or asking management to extend its assessment of going concern. We believe this is consistent with a risk- and principles-based audit approach.

In most cases, indicators that may cast significant doubt on the entity's ability to continue as a going concern would be known prior to the date of approval of the financial statements. In this case, we are supportive of requirements to inquire of management as to its knowledge of events or conditions (paragraph 20), requesting management to evaluate the potential significance of identified events or conditions identified beyond the period of assessment (paragraph A39) and requesting management to extend their initial assessment of going concern beyond the period of management's initial assessment (paragraph A41).

Other than the change in the commencement date of the twelve-month period of management's assessment of going concern in paragraph 21, we are supportive of paragraphs 20-23 of ED-570 and related application material, including paragraphs 22 and A43-A44 in circumstances where management is unwilling to make or extend its assessment. If the board determines that a change in the commencement date of the twelve-month period of management's assessment of going concern in paragraph 21 is beneficial and in the public interest, we recommend clarifying in application guidance that the auditor's request of management to make or extend its assessment be reasonable and generally mirror the requirements of the applicable financial reporting framework, unless in the auditor's judgment, there are identified risks of events and conditions that may cast a significant doubt on an entity's ability to continue as a going concern beyond that period.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAGC)

No, we do not support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements to the date of approval of the financial statements.

The IAASB's project proposal for the revision of ISA 570 raises the issue of inconsistencies across financial reporting frameworks in the commencement date. As part of its project proposal, the IAASB gathered input and views from stakeholders who noted in considering the period of assessment, the requirements of the applicable financial reporting framework needs to be taken into account. While the proposed commencement date in ED-570 would create a consistent 12 month period for all audit engagements, it still does not align accounting framework requirements. Auditors may now be in a position of having to request management extend their assessment longer than is required by the applicable accounting framework, however management's criteria for the financial statements comes from an accounting framework, not an ISA.

We would prefer that each accounting framework, which are the criteria for the audit, to include explicit requirements for the preparation of management's going concern assessment, including a consistent commencement date.

Office of the Auditor General of Manitoba (OAGM)

We do not support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements to the date of approval of the financial statements.

We feel that the appropriate place for the requirement of management to conduct a going concern assessment should be included in accounting standards, not auditing standards. Currently, most Canadian accounting standards include a requirement for management to conduct the going concern assessment by considering information for at least 12 months after the financial reporting date. Adding this requirement in the auditing standards and extending the period would cause inconsistencies with the existing Canadian accounting standards.

We see the risk of a lack of comparability as the ending period of going concern assessments will be different for entities as the approval date of their financial statement differs. This will result in challenges when auditing consolidated financial statements in that the timing of the going concern assessments are likely to be different among the entities that are being consolidated. This may result in the group auditor requesting additional analysis by management of component entities, along with additional audit work being conducted by the component auditor or group auditor.

As the period is extended, there may be a lack of information from management to perform the assessment as it will span multiple fiscal years. Management may be missing key information such as, budgets, and approved funding, that will make auditing management's assessment difficult. This proposed extension requires additional efforts from management and the auditor, with limited value to the users of the financial statements in the public sector.

Provincial Auditor Saskatchewan (PAS)

No, the proposed change in commencement date is not appropriate. The extended assessment period could create challenges for auditors. Specifically in the public sector, management may not have information available on funding that may be received by their agency for subsequent funding cycles that would be included in this extended period.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

It is generally in the public interest that management's going concern assessment period covers 12 months after the approval of the financial statements. However, public interest for the stakeholders of the reporting ecosystem cannot be achieved if this is addressed only in auditing standards. Hence, we encourage the IAASB, with support from the Monitoring Groups members, to engage with reporting standard-setters at global and local level to explain the issues created by the lack of clarity or consistency about the going concern assessment period in financial reporting frameworks.

In accordance with extant ISA 570, auditors already challenge management where necessary and ask them to extend their assessment when they deem it necessary based on their professional judgment and depending on the engagement circumstances. Revisions to ISA 570 should keep this conditional requirement and further elaborate in application material on the factors upon which such necessity may be warranted.

ASEAN Federation of Accountants (AFA)

Change in commencement date of the twelve-month period of management's assessment of going concern [Q7]

We recognise the Board's objective to promote consistent practice and behaviour by the auditor across audit engagements conducted in accordance with the ISAs, including the proposed timeline over which the going concern assessment is made. We have observed mixed views from our stakeholders on whether this would create unintended impression or consequences of the auditor's responsibility over going concern to be greater as compared to management, arising from the misalignment in requirements between paragraph 26 of IAS 1 (which only requires management to take into account information at least but not limited to twelve months from the end of the reporting period) and paragraph 21 of ED ISA 570.

As recognised in the proposal, we also foresee a potential difficulty for the auditor to request management to extend the assessment period since it is not currently mandated under the financial reporting standards.

We believe it is important for the Board to continue liaising with the International Accounting Standards Board (IASB) to achieve better consistency in international auditing and accounting standards, including public interest matters pertaining to going concern evaluation and reporting. Fundamentally, we believe that the period to be covered by management's assessment of going concern is a financial reporting framework issue and it is beyond the IAASB's remit to use the auditing standards to impose reporting requirements on management.

We would like to highlight concerns raised by some of our stakeholders on the proposed change in the commencement date of the 12-month period of management's assessment of going concern. This will result in a misalignment with the requirements of IAS 1 Presentation of Financial Statements, as highlighted in our comments to Q7 below [Q7].

Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)

ED-570 was preceded by a discussion paper on fraud and going concern which emphasised that these issues are ecosystem issues with other stakeholders (such as the IASB) having an important role. However, with this proposed change it seems that the IAASB is moving away from the ecosystem issue and trying to

address a financial reporting issue through the auditing standards, something that is beyond the IAASB's remit in our view.

We therefore do not support the change in the commencement date of the 12 month period of management's assessment of going concern, from the date of the financial statements to the date of the approval of the financial statements. This requirement will result in a misalignment with the requirements of IAS 1, Presentation of Financial Statements. While we are aware that some jurisdictions already impose different requirements for the assessment via local amendments, fundamentally we believe that the auditing standards cannot impose reporting requirements on management. The period to be covered by management's assessment of going concern is a financial reporting framework issue and therefore beyond the IAASB's remit. This is an issue for the IASB to deal with in IAS 1.

One of the key actions we set out in our thought leadership report is that the IASB should take into consideration the concerns raised regarding the inconsistencies noted in relation to the going concern assessment period. This is particularly the case, in some jurisdictions where the going concern assessment period specified in the local accounting framework commences from the date that the financial statements are authorised to be issued rather than the reporting period as specified in IAS 1.

In forming our view, we also took into consideration the explanation provided in the Explanatory Memorandum that the financial reporting frameworks specify a minimum period for which management is required to take into account all available information and that this would acknowledge that a longer time frame than the minimum period can be considered. However, we still find that if management can choose not to go beyond the minimum period, an extended period beyond the minimum cannot be a requirement in the auditing standard. Auditing standards have no authority over management and therefore such change is likely to put auditors in a difficult position.

Extending the going concern period

We do not support the change in the commencement date of the 12 month period of management's assessment of going concern, from the date of the financial statements to the date of the approval of the financial statements. This requirement will result in a misalignment with the requirements of IAS 1, Presentation of Financial Statements. While we are aware that some jurisdictions already impose different requirements for the assessment via local amendments, fundamentally we believe that the auditing standards cannot impose reporting requirements on management. The period to be covered by management's assessment of going concern is a financial reporting framework issue and therefore beyond the IAASB's remit. We elaborate further on this in our response to Q7.

Federation of Accounting Professions of Thailand (FAPT)

No, we do not support the proposed change in this matter. We believe the commencement date of the twelve-month period from the date of the financial statements (as in the extant standard) is appropriate and more practicable. This is an accounting matter in which the management should be responsible for the preparation of the financial statements and the current practice is aligned with IAS 1.26 that require management to assess the going concern assumption at least twelve months from the end of the reporting period.

IFAC SMP Advisory Group (SMPAG)

Finally, the proposed change in commencement date for the period of consideration will, unless in line with the applicable financial reporting framework, create a potential misalignment which could be an unnecessary cause of contention on many audits where there is little risk of going concern issues.

The SMPAG opposes the change in the commencement date of the twelve-month period to the date of approval of the financial statements. ISA 570 (Revised 202X) will be a global standard for worldwide use, and this change will create an inconsistency with financial reporting standards used in many jurisdictions. We would suggest leaving flexibility to allow a change in the commencement date if deemed appropriate based on assessed risks. In jurisdictions where regulatory scrutiny exists in this area, the commencement date can already be modified accordingly, so it is not clear how the revision to the auditing standard is helpful. Such a change will create an unnecessary challenge for SMPs, especially where management are unwilling or reluctant to change and could create additional work and challenge in cases where there will be little value in doing so.

It could also be argued that the proposal to change the commencement date could again widen the expectation gap. If the auditing standards effectively prescribe treatment for preparers that the auditor is responsible for seeking resolution on through changes or discussion, that increases the obligation on the auditor in relation to going concern. The auditor is in effect setting the commencement period, which may give implied responsibility for this period being appropriate. Additionally, the point we raised earlier for question 3 is also relevant. If a going concern assessment is made on a set of statements where the relevant period of assessment is far beyond the following year-end, this may give an impression of stronger assurance being provided than can be the case from the work completed. The timeline advised to the auditor and management needs to be harmonized, so in the absence of changes in all relevant financial reporting standards, this change should not happen. Whilst we note paragraphs 22 and A43-A44 provide some flexibility, in practice, the fear of regulatory scrutiny would make these difficult to exercise.

Instituto Mexicano de Contadores Publicos (IMCP)

We disagree with the proposed change since we consider it more appropriate for the 12-month period to begin as of the date of the auditor's report. This alternative takes into account that there are different factors that may cause the report to be issued on a date subsequent to that on which financial statements are approved and that the period in between these dates could be important.

Korean Institute of Certified Public Accountants (KICPA)

The KICPA doesn't agree with the proposed change.

The going concern assumption is one of approaches that can be taken in financial statement preparation. Thus, the requirements associated with going concern and the period of assessment should be defined by the relevant financial reporting framework. In fact, different national financial reporting frameworks prescribe different minimum periods of management's assessment (e.g., 1 year from the date of financial statements under IFRS vs. 1 year from the data when financial statements are issued under US-GAAP)

If auditing standards prescribe a change in the commencement date of the period of assessment of going concern as suggested by ED-570, this would effectively extend the minimum period of management's assessment. This would make the auditing standards override the relevant financial reporting framework, resulting in imposing more obligations on management. Such inconsistency between auditing standards and financial reporting framework is likely to add confusion, including potential disagreement between the auditor and the audited entity. We believe that the auditing standards should only require to assess if the period of management's assessment follows the applicable financial reporting framework.

Under the paragraphs 15 and A14 of the extant ISA 570, the auditor shall perform additional audit procedures to obtain audit evidence if events or conditions are identified beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going

concern. Considering that the auditor may perform additional procedures if deemed necessary beyond the period of management's assessment in accordance with the requirements described above, it doesn't seem necessary to define the commencement date of assessment in auditing standards to extend the period of assessment.

Nordic Federation of Public Accountants (NRF)

We agree that from a user perspective a longer period would be preferred. However, we believe that any changes in this regard should be aligned with applicable reporting frameworks, including national accounting reporting regulations.

Although applicable reporting framework may allow for an extended period, there is a risk the proposal will create confusion and new expectation gaps. If the intent behind the proposed requirements in paragraphs 21-23 is to propose a "comply or explain" approach, we think this could be further clarified.

Extant ISA 570 (Revised) already allows an extended assessment period beyond what is prescribed in the applicable reporting framework in situations where management and/or the auditor deem that to be necessary. Rather than changing the general commencement date we would prefer strengthening this conditional requirement and adding further application material that includes examples of situations where management's assessment needs to cover an extended period.

Finally, we note that in group audits that include statutory financial statements for components, the proposal could lead to multiple assessments of going concern at different times in cases where the components are dependent on financing from the parent company.

Pan-African Federation of Accountants (PAFA)

We do not support the change in the commencement date of the twelve-month period to the date of approval of the financial statements as this change will create an inconsistency with financial reporting standards used in many jurisdictions. We would suggest leaving flexibility to allow a change in the commencement date if deemed appropriate based on assessed risks.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

Overall, we do not support the change in the commencement date of the twelve-month period of management's assessment of going concern from the date of the financial statements to the date of approval of the financial statement due to the significant possible implications of such a change on the auditor's responsibilities regarding going concern matters. The International Accounting Standard 1 (IAS 1) states: "In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period." However, IAS 1 does not limit the period considered for going concern assessment to twelve months from the end of the reporting period as a result of paragraph 26 of IAS 1 which states "...at least, but is not limited to, twelve months from the end of the reporting period". Thus, practitioners state that the default period used by majority of entities is limited to these 12 months. This creates a contradiction for auditors to deal with since ISA 570, which is the basis for an auditor to plan and conduct an audit (paras. 21 and A40 of ED-570 state "...would be at least twelve months from the date of approval of the financial statements.") will not be the basis on which management views and prepares its financial statements. Accordingly, A40 in ED-570 exhibits that the auditor is only required to inquire management regarding the assessment of going concern beyond the period assessed by the management (at least twelve months from the date of approval of the financial statements). However, Paras. A39 and A41 require the auditor to follow up on events or conditions that have been identified in the period beyond management's assessment. This

puts the onus on the auditor rather than the management. If there is any possibility of the auditor identifying such events or conditions, the management should be more likely to be aware of these.

Therefore, instead of para A40 stating that the auditor does not have a responsibility to perform any other audit procedures other than inquiry of management regarding the entities ability to continue as a going concern beyond the period of assessment (twelve months from the date of approval of the financial statements), the auditor should be provided with information / evidence by the management to support the basis on which the management decided the period of assessment should be limited to twelve months from the date of approval of the financial statement. Since para 21 in ED-570 uses the phrase “at least twelve months from the date of approval of the financial statements”, the management should have the information to support why it did not look beyond twelve months period. We think this should be considered very important, specifically in the wake of the increased number of corporate failures that have been witnessed in recent years, which included many entities that were considered financially strong and healthy.

South African Institute of Chartered Accountants (SAICA)

We are of the view that the principle that should be contained in the standard is that the period of the auditor’s assessment of the going concern assumption should be the same as that of management’s assessment of the going concern assumption as required by the applicable financial reporting standards.

We acknowledge that the requirement in paragraph 21 for the auditor to request management to extend its assessment to at least twelve months from the date of approval of the financial statements is not contradictory to the requirement of a financial reporting framework that prescribes a minimum period for which management is required to make its assessment or where a financial reporting framework does not specify the period to be covered by management’s assessment.

However, even on consideration of paragraphs 22, A44 and A45, our understanding of the proposed standard is that the auditor’s assessment of the going concern assumption is required to span a period of 12 months from the date of approval of the financial statements. Consider the following example: Management’s assessment has been performed for a period of 12 months from the date of the financial statements. Management is unwilling to extend its assessment to cover a period to at least 12 months from the date of approval of the financial statements. The entity has profitable operations and management has provided additional information to support their assessment to the auditor, as envisioned in the example in paragraph A44. In this scenario, the auditor’s conclusion on the going concern assessment spans 12 months from the date of approval of the financial statements, while management’s assessment spans 12 months from the date of the financial statements. This position is not equitable to the auditor.

We therefore struggled to envisage a scenario where the auditor would find it acceptable for management not to perform an assessment for a period of at least 12 months from the date of approval of the financial statements, and thus question whether the proposed standard does indeed provide “flexibility”.

While we support the proposal in ED–570 in principle, we have concerns about introducing such an amendment in the auditing standards prior to a similar change being made in the requirements of the relevant financial reporting standards e.g. in International Financial Reporting Standards (IFRS) Accounting Standards. We reiterate our comment in paragraph 19 of this letter.

We suggest that the word “believe” in paragraph 23 of the proposed Standard be replaced with “assesses” or “concludes based on audit evidence that”. The IAASB may also consider adding “...and the auditor’s report” at the end of paragraph 23.

The Malta Institute of Accountants (TMIA)

We note that updating the requirement from the date of the financial statements (ie, the year-end) to the date of approval of the FS, deviates from the requirement of IAS 1, para 26 (see extract below), which would be the basis on which management would “time” their assessment.

26 In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate.

While noting that we are in agreement that an assessment as at the date of the approval of the FS increases relevance, particularly where the audit does not start immediately after the year-end, we consider that the determination of the time period is within the ambit of the financial reporting standards and not auditing standards. It is also to be noted that this change could create inconsistencies with local financial reporting frameworks. For example, in Malta, Section 3.4 of GAPSME requires that ‘where the period considered by management in making its assessment of the entity’s ability to continue as a going concern has been limited to a period of less than twelve months from the balance sheet date, that fact shall be disclosed.’ Hence, it is advisable that the auditing standard should not mandate the specific period required, as this varies with the applicable financial reporting framework.

In addition, if this change is maintained, some level of push-back from clients may be anticipated given that their assessment may need to be revised further or re-performed/extended. The “flexibility” allowed by the ED-570 is to discuss with management/TCWG and (possibly) obtain additional support (example given in A44: profitable company, no liquidity concerns, no additional events or conditions that may cast significant doubts have been identified beyond the period of assessment).

The IAASB may consider including a clarification that in the latter case unless the auditor is aware from other procedures/cumulative audit knowledge of events or conditions that may/will occur in the period, and after considering subsequent procedures as per ISA 560, the assessment need not be extended for the remaining period (see example below).

Management FY – 1 Jan 202X – 31 Dec 202X

Management’s assessment – 1 Jan 202X+1 – 31 Dec 202X+1

Approval of FS – 1 June 202X+1

Additional period that should have been covered by management’s assessment – 1 Jun 202X+2 till 31 May 202X+2

8. Individuals and Others

Colin Semotiuk (CS)

No, we do not support the change in the commencement date of the twelve-month period of management’s risk assessment of going concern. Using the date of the approval of the financial statements is problematic for many public sector entities, such as public agencies and funds. Many public sector agencies and funds rely on government funds in order to operate. In many situations smaller entities continuance and funding is

unknown until a government budget is passed. By extending the date when management makes their assessment of going concern, this creates an issue due to the reliance of these entities on the timing of government budgets and the assessment is past the period for which funding has been approved.

We also note that the period end date for an entity is relatively fixed and does not often change, but the date of approval may change from year to year, and this variability may introduce more complexity into management's assessments and auditor's work on those assessments.

Q07 - No specific comments

4. Accounting Firms

Crowe LLP (CROWE LLP)

Nexia Australia Pty Ltd (NAPL)

5. Public Sector Organizations

UK National Audit Office (UKNAO)

Professional Organizations

Accounting and Finance Association of Australia and New Zealand (AFAANZ)

We limit our comments to the questions for which we are of the view that the extant research literature may meaningfully contribute. Specifically, we comment on Questions 2, 3, 4, 5, 6, 8, 9, 11, 13, 14, 15 and 16.

7. Academics

RMIT University (RMU)

8. Individuals and Others

Kazuhiro Yoshii (KY)