

Agenda Item 3-B.1 (Supplemental)

Going Concern – Question 1

1. Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1?

Q01 - Agree

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

In our response letter to the IAASB's Discussion Paper on Fraud and Going Concern in an Audit of Financial Statements dated 1 February 2021 ("2021 Response Letter") we encouraged the IAASB to examine the benefits of strengthening ISA 570 (Revised) and we welcome the positive steps that the IAASB has taken to improve the quality of going concern assessments by auditors through issuing ED-ISA 570.

We strongly support the introduction of a more robust assessment of going concern as proposed by ED-ISA 570.

International Organization of Securities Commissions (IOSCO)

We have observed a heightened public interest by stakeholders in the auditor's responsibility related to going concern. We believe that enhancements to the extant ISA 570 (Revised) that promote consistent practice and behavior, and facilitate effective responses to identified risks of material misstatement, including inadequate disclosure, related to going concern, with the appropriate level of professional skepticism, can contribute favorably to audit quality. We also support enhanced transparency by strengthening communication with those charged with governance and auditor reporting requirements to investors to benefit the public interest.

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.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Yes, we agree. The ED enhances current audit procedures on management's going concern assessment while also reiterating the importance of professional scepticism. In this regard the ED does respond to public interest protection. Also, the incorporation of the qualitative standard setting characteristics such as scalability, proportionality, relevance, clarity, and conciseness, implementability and global applicability, and coherence demonstrates a comprehensive approach that aims to cater to the diverse needs of users, enhance understanding and ensure consistent application.

Committee of European Auditing Oversight Bodies (CEAOB)

In addition to broad support for the provisions in the ED (see "general comments"), the CEOB recommends that the IAASB further enhances the provisions of the ED as set out in this letter (see "further enhancements needed").

Financial Reporting Council (FRC)

We therefore strongly support the IAASB's proposed revision of ISA 570 to deliver a more robust process for auditing going concern matters that will help address performance gaps and support the public interest.

YES, we agree that the proposals in ED-ISA 570 are responsive to the public interest. The FRC updated ISA (UK) 570 in September 2019 to address similar public interest concerns about the quality and rigour of the audit of going concern given well-publicised corporate failures where the auditor's report failed to highlight concerns about the prospects of entities which collapsed shortly after, as well as findings from FRC Enforcement cases.

Independent Regulatory Board for Auditors (IRBA)

We agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest, as set out in Appendix 1.

Irish Auditing and Accounting Supervisory Authority (IAASA)

In addition to broad support for the provisions in the ED (see "general comments"), IAASA recommends that the IAASB further enhances the provisions of the ED as set out in "recommended further enhancements".

National Association of State Boards of Accountancy (NASBA)

In furtherance of that objective, NASBA supports the IAASB in this initiative. We commend the IAASB for the due diligence in considering the recent standard-setting action in certain jurisdictions as it relates to going concern. NASBA offers the following comments.

3. Jurisdictional and National Auditing Standard Setters

Japanese Institute of Certified Public Accountants (JICPA)

Yes. We agree that the proposals in ED-570 are responsive to the public interest.

Public Accountants and Auditors Board Zimbabwe (PAAB)

The PAAB agrees that the proposals are responsive to the public interest. Requirements such as enhanced communication with those charged with governance, the more robust going concern assessment, the consideration of information from third parties and the transparency about going concern in the auditor's report are responsive to public interest.

The PAAB agrees that the proposals considered collectively will enhance and strengthen the auditor's judgements and work relating to going concerns and the proposals are responsive to the public interest.

4. Accounting Firms

BDO International (BDO)

We agree that ED-570 is responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support it. We consider that the ED meets the IAASB objectives of ensuring that standards are consistently applied and are globally operable. In particular, we are pleased to see this draft standard emphasizes the enhanced risk assessment procedures that ISA 315 (Revised) requires.

We see two aspects as responding to the public interest.

As noted in answer to Question 2, we strongly support increasing transparency in the auditor's report of the auditor's responsibilities and the work performed in respect of going concern, as it aligns more with existing practice in several countries and will promote consistent global application.

As noted in answer to Question 7, we agree with the clarification of the extension of the period of entity management's assessment of the entity's ability to continue as a going concern, as this has been a contentious matter in practice. Providing this clarification assists users of the financial statements and further supports the public interest.

With their inclusion in the ED, both elements have the potential to be responsive to the public interest.

Crowe Global (CROWE)

We agree that the proposals in ED-570 are responsive to the public interest.

Mo Chartered Accountants (MCA)

We concur that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and the requirements and application for consideration are responsive to the public interest.

PKF International Limited (PKF)

Yes, we are supportive of the proposals within ED-570. In our view, the proposals appropriately address and respond to the public interest.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAGC)

Yes, we agree the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1.

6. Member Bodies and Other Professional Organizations

ASEAN Federation of Accountants (AFA)

We agree that the proposals in ED ISA 570 are responsive to the public interest and will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements [Q1 & Q2].

Botswana Institute of Chartered Accountants (BICA)

We agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1. Based on the analysis of the proposed actions, qualitative standard-setting characteristics, and project objectives, it can be argued that the proposals in ED-570 are responsive to the public interest. The changes seek to enhance the auditor's ability to identify and assess risks related to going concern, promote consistent practice, and provide practical guidance that can be applied globally. By addressing the key challenges and considerations in the public interest, the proposals aim to improve the effectiveness and reliability of audits in relation to going concern assessments and fostering trust in financial reporting.

California Society of CPA (CALCPA)

Yes; we agree that the proposals in ED-ISA 570 are responsive to the public interest.

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.

Federation of Accounting Professions of Thailand (FAPT)

Yes, we do.

Institute of Certified Public Accountants of Uganda (ICPAU)

We believe that the proposals in ED-570 are responsive to the public interest as we strongly believe that they will lead to enhanced transparency through the promotion of increased communication with those charged with governance which will in turn work in public interest. We are especially appreciative of the fact that the proposals in ED-570 contain requirements for enhanced procedures in the assessment of the methods, assumptions and data used by management in the assessment of an entity's ability to continue as a going concern.

Institute of Chartered Accountants in England and Wales (ICAEW)

GENERAL POINTS

We welcome the opportunity to comment on the IAASB's Exposure Draft, proposed ISA 570 (Revised 202X), Going Concern. The extent of the auditor's responsibilities in relation to management's assessment of going concern is a matter of significant stakeholder and general public interest. Going concern is a high-profile area in which user expectations often exceed the work an auditor is able or required to perform. The introduction of greater transparency and a more robust standard is therefore highly desirable.

In the United Kingdom (UK), enhanced requirements related to going concern were introduced by the Financial Reporting Council (FRC) in 2019, in response to high profile corporate failures and findings arising from a number of enforcement cases. We strongly support the IAASB's proposal to introduce similar requirements to the ISA. This will create greater alignment between the UK and other jurisdictions, bringing about more consistency in practice and improving the usefulness of financial statements to readers.

We see a clear public interest in the introduction of these proposals and strongly support the inclusion of the additional requirements from the UK standard into the global ISA.

Institute of Chartered Accountants of Scotland (ICAS)

Yes, we believe that the proposals set out in ED-570 are substantively responsive to the public interest. A number of the proposed revisions are already reflected in the extant UK version of ISA 570, and we therefore welcome the IAASB's decision to update its standard. However, as noted in our response to question 14, we have concerns over the proposed approach for dealing with "close call" situations.

Institute of Chartered Accountants of Sri Lanka (ICASL)

Answer:

We believe that the proposals in ED-570 are responsive to the public interest. The qualitative standard-setting characteristics and project objectives that support the public interest include:

Relevance: The proposals are relevant to the needs of users of financial statements. They will help users to assess the ability of an entity to continue as a going concern, which is a key factor in their decision-making.

Reliability: The proposals are reliable. They will be based on sound auditing principles and will be applied consistently by auditors.

Objectivity: The proposals are objective. They will not be influenced by the interests of any particular group, such as auditors or preparers of financial statements.

Timeliness: The proposals will be timely. They will be issued in a timely manner so that auditors can implement them in their audits.

Understandability: The proposals will be understandable. They will be written in clear and concise language so that users of financial statements can understand them.

Appendix 1 clearly maps the proposed changes to the objectives in the Project Proposals that support the public interest.

Instituto de Auditoria Independente do Brasil (IBRACON)

We agree that ED-570 is responsive to the public interest, largely with the link to the risk assessment procedures that ISA 315 (Revised) requires.

We also agree with the extension of the period of entity management's assessment of the entity's ability to continue as a going concern.

Instituto Mexicano de Contadores Publicos (IMCP)

In general, based on the information provided in Appendix I, it can be argued that the proposals in ED-570 are responsive to public interest. They seek to strengthen the auditor's role in the going concern assessment, improve transparency in report presentation, and align with the qualitative characteristics of the standards enactment to guarantee an effective and consistent implementation in all jurisdictions.

Korean Institute of Certified Public Accountants (KICPA)

The KICPA agrees that the proposed exposure draft is responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives.

Malaysian Institute of Certified Public Accountants (MICPA)

We agree with the IAASB's proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1. The linkage to other International Standards on Auditing ("ISAs") and the additional guidance in the application material maintains the principle-based standard and is not prescriptive.

National Board of Accountants and Auditors of Tanzania (NBAA)

Yes, we do agree with the proposals.

Pan-African Federation of Accountants (PAFA)

We agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest, as set out in Appendix 1.

South African Institute of Chartered Accountants (SAICA)

Yes, we agree that the standard-setting responses in the proposed standard meet the project objectives that support the public interest. Overall, we are of the view that the proposals will assist with positive changes in how auditors assess management's assessment of the going concern assumption, and that the proposals not only highlight the responsibilities of the auditor but also those of management and those charged with governance, regarding the assessment of an entity's going concern assumption.

Q01 - Agree with comments

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

As such, the Committee welcomes the proposed improvements and new requirements for auditors to obtain sufficient appropriate audit evidence to assess whether any material uncertainty exists as to the appropriateness of management's use of the going-concern basis of accounting in preparing financial statements. This includes requirements for designing and performing risk assessment procedures to identify events and conditions that may cast doubt on the entity's ability to continue as a going concern, for evaluating management's going-concern assessment, and for clearer and more consistent reporting.

Going concern is highly relevant to bank audits, as the Committee stated in its response to the IAASB Discussion Paper Fraud and going concern in an audit of financial statements. In addition, the requirements and work undertaken in relation to going concern affect banks' borrowers or their financial counterparties. When companies and their auditors fail to identify going-concern risks, confidence in financial reporting could potentially be undermined. The Committee is therefore supportive of the IAASB's proposed amendments to ISA 570, which should strengthen the work required by the auditor and enhance the quality of reporting to users of financial statements.

The Committee agrees with the IAASB that there are parties other than the IAASB that play an important role in contributing to high-quality financial reporting and public interest. The Committee encourages the IAASB to continue its dialogue with its Task Forces, Working and Consultation Groups, the International Ethics Standards Board for Accountants (IESBA) and accounting standard setters that may be able to enhance requirements for preparers of financial statements and those charged with governance, including the disclosures required on going concern.

The Committee notes that disclosures required by prudential frameworks and stress testing requirements applicable to banks can provide useful information that is relevant to the assessment of going concern. However, prudential frameworks are not identical across jurisdictions, and such disclosures may not be subject to assurance.

The proposal, if adopted, may result in auditor requirements that are more prescriptive and extensive than what management is currently expected to consider in going-concern assessments under IFRS accounting standards. We encourage alignment between the IASB and IAASB in terms of going-concern requirements for management and auditors and due consideration and coordination on timing of changes to going-concern requirements in both accounting and auditing standards.

International Association of Insurance Supervisors (IAIS)

The IAIS is of the view that the proposals included in the Exposure Draft address the public interest expectations for a more robust evaluation of management's assessment of going concern and greater transparency on the auditor's responsibilities and audit work related to going concern.

However, it should be noted that some audit report requirements apply exclusively to listed entities (para 34 (d)). The IAIS believes that the scope of these specific provisions could be extended to public interest entities as defined by local jurisdictions, particularly for unlisted insurers.

The IAIS supports the IAASB's proposed amendments to ISA 570 as going concern is an important audit issue, especially given experiences relating to certain recent failures of corporate and financial institutions around the world.

Public interest issues

The IAIS is supportive of the IAASB's consideration of public interest issues that are intended to enhance or clarify the proposed ISA 570.

The IAIS agrees that considering scalability and proportionality issues when developing ISA 570 ensures that there is consistent application of the standard regardless of the nature, size and complexity of the entities, facilitating effective responses to any risks of material misstatements related to going concern. Considering relevance in ISA 570 is important as it ensures that auditors can respond in a timely manner to emerging risks, changes in stakeholder needs, and rapidly evolving business and technological environments.

2. Regulators and Audit Oversight Authorities

Canadian Securities Administrators Chief Accountants Committee (CAC)

Collaboration with the IASB

We encourage the IAASB to continue its efforts to solicit feedback from relevant stakeholder groups to ensure the proposed amendments remain fit for purpose in the current and future business environment. In particular, the IAASB should continue to liaise and collaborate with the International Accounting Standards Board (IASB) to address topics of mutual interest and overlapping concepts. As communicated previously, we continue to be of the view that any changes to the auditing standards should be considered in tandem with the relevant responsibilities of issuers in the applicable financial reporting framework. For example, we note the current requirements of the financial reporting framework state the following:

IAS 1 Presentation of financial statements defines the going concern assessment period as 'a period that should be at least, but is not limited to, 12 months from the end of the reporting period' and;

IAS 10 Events after the reporting period (paragraph 14) states that management should have to perform an assessment on going concern after the reporting period up to the date when the financial statements are authorized for issue.

Although these current requirements are not inconsistent with ED-570, we encourage the IAASB to continue its dialogue with the IASB regarding this matter and whether further convergence, additional guidance or revisions to the standards may be necessary to address any consequences of potential diversity in assessment periods. As another example, we refer the IAASB back to the auditor's requirements for "close call" going concern situations that we previously identified in our comment letter in response to the IAASB's Discussion Paper on Fraud and Going Concern in an audit of financial statements.

We support the IAASB's effort to address public interest demands for enhanced transparency on going concern in the audit of financial statements. We believe the enhancements to extant ISA 570 (Revised) will promote consistent practices amongst auditors.

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Financial Reporting requirements

As communicated in our response to the IAASB's Fraud and Going Concern in an Audit of Financial Statements Discussion Paper, the AUASB believes all parties in the financial reporting ecosystem must work together and fulfill their responsibilities to ensure that there is confidence in financial reporting by the capital markets, and considering initiatives to address the expectation gap in relation to going concern.

Going concern assessments and related disclosures are the responsibility of management and those charged with governance (TCWG) in the first instance. The auditor's responsibility is to provide independent assurance on the conclusions made by management and TCWG. We have received consistently strong feedback from stakeholders that the reporting requirements in the IFRS Accounting Standards are not sufficiently robust and explicit. In particular, going concern assessments should be required to cover a period of at least 12 months from completion of the financial statements, disclosures should be required about uncertainties and key assumptions that management and those charged with governance (TCWG) have made in forming their conclusions, and there should always be a statement on going concern in the financial statements. While there is no evidence in practice under the extant standard in Australia, stakeholders expressed concern that the proposed requirements of ED-570 may create circumstances where auditors will disclose more about going concern risks and conclusions than management and TCWG.

The AUASB is of the view that the proposals in ED-570 are largely responsive to the public interest as they are designed to promote consistent practice and behaviour and facilitate effective responses to identified risks of material misstatement related to going concern. We have received consistently strong feedback from stakeholders that the reporting requirements in the IFRS Accounting Standards are not sufficiently robust and explicit. The proposed changes to the auditor's report may unintentionally widen the expectation gap with respect to the responsibilities of the auditor and management in the absence of corresponding changes to the financial reporting requirements.

In particular, going concern assessments should be required to cover a period of at least 12 months from completion of the financial statements, disclosures should be required about uncertainties and key assumptions that management and TCWG have made in forming their conclusions, and there should always be a statement on going concern in the financial statements. The AUASB also considers that it would be beneficial for the term "material uncertainties" to be defined in IAS 1 Presentation of Financial Statements (IAS 1) and be aligned with the definition in ISA 570.

While there is no evidence in practice under the extant standard in Australia, stakeholders expressed concern that in meeting the requirements in ED-570 there may be circumstances where auditors will disclose more about going concern risks and conclusions than management and TCWG.

We encourage the IAASB to continue its engagement with the IASB to provide more detailed reporting requirements in relation to going concern in the financial statements, as well as how to perform management's assessment as to the ability for the entity to continue as a going concern and whether a material uncertainty exists.

The AUASB would like to draw attention to the following matters that have been raised during our consultation process:

Financial Reporting Requirements

As detailed in our response to Question 1 above, in the absence of corresponding changes to the current financial reporting requirements for more robust requirements in respect of management's going concern assessment and accompanying disclosures in the financial statements, we express concern that the proposed changes to the auditor's report may unintendedly widen the expectation gap with respect to the auditor's responsibilities. We encourage the IAASB to continue its engagement with the IASB to provide more detailed reporting requirements in relation to going concern in the financial statements, as well as how to perform management's assessment as to the ability for the entity to continue as a going concern and whether a material uncertainty exists.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

General Comments

See our comments in the cover letter above.

In general, we want to stress that auditors can only address issues in their opinion, when they can refer to explicit disclosures in the notes. Such disclosures are based on accounting standards requirements. Current accounting standards do not require an explicit management assessment statement (neither IAS 1.25 nor local GAAP) on going concern. They also do not require the definition of the period of management assessment which the IAASB wants to rely on.

We do not support to communicate in any case in a separate section in the auditor's report an explicit statement about the auditor's conclusions on the appropriateness of management's use of going concern basis of accounting.

The going concern basis of accounting, that applies in any case unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so, becomes more important in this context. For reasons of scalability, the standard should also outline this basis rule more clearly and specify when a detailed going concern assessment is not required.

Based on the proposed new going concern section in all auditor's reports, we want to put up for discussions the following. Reference to responsibilities and conclusions with respect to going concern will be included in three different sections of the auditor's report: the new going concern paragraph and management's as well as auditor's responsibility sections. We therefore recommend consolidating the respective responsibilities and conclusions within one Going Concern section.

We are supportive of the majority of the proposals included in ED-ISA 570. Going Concern is one of the topics oriented to public interest so any improvements of auditing standards should help to reduce the expectation gap amongst different stakeholders.

Changes to auditing standards have an important role to play but cannot substitute the responsibilities of others in the ecosystem. Management and those charged with governance are responsible for a robust and transparent assessment of an entity's ability to continue as a going concern. All participants – those charged with governance, investors, regulators, as well as auditors - have a role to play in encouraging and supporting a high quality corporate reporting and auditing system. Without a broad change and coordinated effort, expectation gap issues will remain. Investors' desire for deeper insight into companies' going concern status cannot be achieved by statements made by the auditor alone.

Canadian Auditing and Assurance Standards Board (AASB)

We generally agree that the proposals in ED-570 are responsive to the public interest. However, we identified two important public interest issues that must be considered when finalizing the revised ISA 570 in our consultations.

Inconsistencies between the financial reporting and audit standards

We believe that it is in the public interest for the IAASB to work with the International Accounting Standards Board (IASB) and the International Public Sector Accounting Standards Board (IPSASB) on topics of common interests, such as agreeing on the period to be covered by management's assessment of the entity's ability to continue as a going concern. 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. We acknowledge the IAASB's efforts in engaging the IASB and the IPSASB. As indicated in our response to Q7, we believe further outreach with the IASB and IPSASB is required.

The expectation gap

As discussed in our response to Q13, results of our outreach indicate that many financial statement users may not be fully aware of the responsibilities of management and the auditor, and the going concern basis of accounting concept. The proposed auditor's communications in ED-570 do not increase that understanding and in fact may be exacerbating the user expectation gap. In our view, educating financial statement users may, to a larger extent, address the public interest issues relating to going concern rather than revising the auditor's report. We therefore encourage the IAASB to reconsider its current proposals around auditor reporting and continue to work with other parties in the financial ecosystem to address the broader public interest issues relating to going concern.

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

Overall, we support the revision to the ISA 570 and the amendments to the other ISAs made necessary by this revision.

Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. When management is aware of material uncertainties related to events or conditions that may cast a significant doubt upon the entity's ability to continue as a going concern, those uncertainties are required to be disclosed.

We think it is necessary to emphasize that the primary responsibilities for the preparation and fair presentation of the financial statements of a company, including the assessment of its ability to continue as a going concern, lies with Management and those charged with governance of the entity.

Improving transparency on the use of the going concern assumption in the preparation of the financial statements requires to enhance the whole ecosystem, not just the auditing standards. Management should be required to disclose why it prepared the financial statements using the going concern assumption and the auditor would then be required to confirm in its auditor's report that using the going concern assumption was appropriate.

At this stage, the ED requires improved transparency from the auditor in the auditor's report without having obtained any guarantee from the financial reporting standard setter (IASB) that they would enhance the disclosure's requirements regarding going concern in the financial reporting standards, or even worse, knowing that they will not modify current financial reporting standards.

This may widen the expectation gap instead of narrowing it, by leaving the impression to the reader of the audited financial statements that the primary responsibility for the assessment of the going concern assumption of the entity lies with the auditor. We therefore support the ED from the auditor's point of view, but we consider that the entire project is standing on one leg as long as the financial reporting standard setter has not done its share, and we believe that, at this stage, the public interest is not entirely served.

We agree, but we think it is important to remember that there are several stakeholders involved in assessing and safeguarding the going concern of the entity: as the first line, Management and those charged with governance (Audit Committee, Board of Directors...) and as a second line, auditors.

All the other stakeholders of today's financial reporting ecosystem - investors, public oversight bodies, standards setters and even banks - have also an important role in safeguarding the going concern, but the responsibility for the assessment of the entity's going concern lies with Management and those charged with governance.

We consider that more detailed disclosures should be required from Management to explain its assessment of the Going concern assumption.

Given that enhancing disclosures within the purview of accounting standards is outside the scope of the IAASB's standard setting, we encourage the IAASB to continue asking the IASB to tackle this issue.

On balance, we agree that the proposals in ED-570 are responsive to the public interest. However, we have an impression that many of the proposed changes apply a "one size fits all" approach, which may not be efficient and effective, especially in the context of auditing private entities.

In our responses to Q7 and Q14 below, we suggest a differential approach for listed entities and other entities in (i) the commencement date of the twelve-month period of management's assessment of going concern; and (ii) the disclosure of the auditor's work relating to going concern, recognizing that their resources, management's abilities and potential users of the financial statements and the auditor's report may differ significantly for the different types of entity.

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

We recognize the IAASB's systematic approach in seeking to be responsive to the public interest and, in particular, to the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1. In our view, in many cases, the draft heads in the right direction, but in some cases (the assessment period and auditor statements in the auditor's report), we are not convinced that, on the whole, some proposals are actually in the public interest. We also note that while the work effort requirements are headed in the right direction, insufficient emphasis is given to properly distinguishing between the role of management and the auditor in the work effort requirements. For these reasons, our comment letter includes a good number of suggestions for improvement in the public interest.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Yes, we agree that most of the proposals are responsive to the public interest.

With respect to the proposals to enhance transparency in the auditor's report, while we support the intent, we are concerned that the proposals may lead to a widening of the expectation gap which would not be in the public interest. We consider that the requirement to include a going concern paragraph in the auditor's report when there are no issues to report may not be a proportionate response as contemplated by the qualitative standard-setting characteristics.

Management and those charged with governance are responsible in the first instance for determining whether the going concern basis of accounting is appropriate and for any related disclosures. Putting the onus on the auditor to conclude on going concern, without a corresponding statement from management or those charged with governance may widen the expectation gap.

In addition, the wording of the going concern paragraph when there is no issue may be too confirmatory and could be misinterpreted as a separate opinion on going concern. The underlying principle of the auditor's report is that it is one overall opinion on the financial statements. When key audit matters were introduced, it was made clear that they were not discrete opinions. We are further concerned that the going concern conclusion may be misinterpreted as a guarantee on the future viability of the entity.

Addressing the expectation gap will require a holistic approach from all parties in the reporting eco-system. We therefore encourage the IAASB to continue to engage with the International Accounting Standards Board (IASB) and International Public Sector Accounting Standards Board (IPSASB) for enhanced transparency on going concern. In New Zealand, additional reporting requirements for management have been included in the accounting standards.

We also believe the definition of material uncertainty as proposed does not meet the qualitative standard-setting characteristic of clarity. We are concerned about different interpretations. Refer to our response to question 5.

While we support the intent of the proposals to promote transparency in the auditor's report, we are concerned that the proposals may further widen the expectation gap:

Without a corresponding statement from management or those charged with governance, the proposals may lead to a perceived shifting of the responsibility to the auditor.

The wording of the going concern paragraph where no issues exist, may be too confirmatory, i.e., it may be misinterpreted as guaranteeing the future viability of the entity.

Including a going concern paragraph in all audit reports may undermine the information value and may cause unintended consequences, including readers not noting information that signals an issue with the going concern assessment.

To address the risk of further widening the expectation gap, we strongly encourage the IAASB to continue to engage with the International Accounting Standards Board to ensure that the appropriate balance between management and auditor responsibilities is maintained. In New Zealand, additional reporting requirements have been included for management.

Royal Dutch Institute of Chartered Accountants (NBA)

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:

The NBA opposes the use of auditing standards for (implicit) imposing reporting requirements on management. The NBA is of the opinion that requirements on management's assessment and reporting on going concern should form part of the financial reporting framework and that auditing standards should build on these requirements. The NBA is concerned that ED-570 (implicitly) imposes requirements on management.

The NBA is of the view that the auditor should remain to be required to audit information provided by management. Following this principle, the NBA does not support reporting by auditors on matters where

management does not disclose information. The only exceptions to this rule can be when disclosures are required on the auditors' own procedures or when the information is necessary to explain the basis for a modified audit opinion.

We believe that setting of requirements on financial reporting or management indirectly thru auditing standards is not in the public interest. Consequently, we do not think it is in the public interest that IAASB sets implicit requirements on management's assessment of an entity's ability to continue as a going concern nor on disclosures by management thereof. The NBA appreciates that there is a public interest in enhancing those requirements, but it is upon the financial reporting standard setters to address these expectations. Hence, the NBA strongly supports IAASB's ongoing efforts to liaise with financial reporting standard setters and others to enhance the requirements for management in this regard.

Notwithstanding the previous comment, 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.

4. Accounting Firms

Assirevi

We believe that the proposals in ED-570 as summarised in Appendix 1 contribute to heighten auditors' focus on going concern issues, as they require an auditor to perform a more in-depth risk assessment and provide more transparent disclosures of the procedures performed in response to the identified risks. This approach should better meet the requirements of users and, hence, public interest.

However, we note that, due to certain inconsistencies between the auditing standards and the existing international and national financial reporting standards, certain requirements in ED-570 could:

create application challenges for the auditor, especially as regards the issue of extending the minimum period of management's assessment of going concern (please see our response to question 7);

trigger the risk that the auditor is obliged to provide information in the audit report that management is not required to disclose in the financial statements due to the requirements set out in ED 570 (please see our response to question 13).

With respect to these issues, and as per our responses to questions 7 and 13 below, we recommend that the IAASB should continue to liaise with the accounting standard setters (such as the IASB) to align auditing and financial reporting standards.

Lastly, and as commented in greater detail in our response to question 13, we do not believe that the inclusion of a specific attestation in the audit report on the entity's ability to continue as a going concern would contribute to narrowing the expectation gap about the going concern issue.

CohnReznick LLP (CHR)

OVERALL RESPONSE

We are supportive of efforts to improve audit quality and are supportive of this Proposed Standard, overall, in terms of performance requirements. However, as further articulated in our response, we believe some of the reporting requirements of the Proposed Standard will not be in the public interest.

Deloitte Touche Tohmatsu Limited (DTTL)

DTTL believes that some of the current challenges related to going concern are due to a lack of clarity in the requirements in IFRS Accounting Standards. Management is responsible for the assessment of the entity's

ability to continue as a going concern and the preparation of the financial statements in accordance with that assessment. Because of the lack of clarity in IAS 1, Presentation of Financial Statements, related to how management performs that assessment and what disclosures are required to be presented when there is a close call, auditors often look to requirements in the auditing standards to challenge management on the adequacy of management's assessment and related disclosures. Instead of accounting requirements being created indirectly via auditing standards, IFRS Accounting Standards should provide a clear framework which:

Contains a more explicit requirement for the performance by management of an assessment of the entity's ability to continue as a going concern;

Expands the time period of management's assessment to cover twelve months from the date of approval of the financial statements;

Specifies that developments after the reporting date but before the financial statements are approved should, as necessary, be factored into the assessment of going concern even if they are not themselves adjusting events under the general requirements of IAS 10, Events After the Reporting Period;

Defines "material uncertainty" (instead of having only a description) and provides guidance on when material uncertainties "may cast significant doubt" in a manner that aligns with the definition and application guidance included in this proposed standard; and

Incorporates within IFRS Accounting Standards themselves the requirements to disclose the judgments made by management in "close calls" scenarios, which are currently encapsulated only in an IFRS Interpretation Committee Agenda Decision (July 2014) referring to the general requirements of paragraph 122 of IAS 1 on significant judgments made in the process of applying the entity's accounting policies.

Recommendation

We have conveyed our view on the importance of such changes to IFRS Accounting Standards as part of our September 2021 response to IASB's request for information Third Agenda Consultation. We regret the IASB's decision not to add such a project to its work plan. 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 of the going concern assessment in IFRS Accounting Standards with the proposed change in commencement of management's assessment period, define clearly what is meant by "material uncertainty" and "significant doubt," and clarify within IFRS Accounting Standards themselves the requirement to disclose judgements made in "close call" scenarios. The application by management of a clear framework laid out in IFRS Accounting Standards related to going concern would help auditors evaluate more consistently management's assessment, plans, and disclosures. In addition, greater clarity on the disclosure required in case of "close calls" would provide financial statement users with more insights into an entity's future performance, which would serve the public interest.

International accounting framework should reflect more robust management responsibilities

Overall, we are supportive of the project, but have concerns with some of the proposals, as described in the Significant Concerns section of the cover note of this letter, as well as in our responses herein.

Ernst & Young Global Limited (EY)

We agree that the proposals in ED-570 are responsive to the public interest as set out in Appendix 1, except as explained in our specific responses to the following questions:

Q5 as it relates to AB.4: “Material Uncertainty Related to Going Concern” and Other Terminology in ISA 570 (Revised)

Q6 as it relates to AB.1: Risk Identification and Assessment

Q13 and A14 as they relate to C.10: Transparency About Going Concern in the Auditor’s Report

Grant Thornton International Limited (GT)

We are of the view that it is in the public interest to facilitate the consistent application of rigorous audit procedures relating the auditor’s evaluation of, and conclusions on, management’s assessment of an entity’s ability to continue as a going concern. This involves the performance of risk assessment procedures and developing an audit response that appropriately responds to the identified and assessed risk of material misstatement; it is not in the public interest to perform audit procedures that do not appropriately respond to the identified and assessed risk of material misstatement. In this respect, we are of the view that the proposals in ED-570 are, only in part, responsive to the public interest considering the qualitative standard-setting characteristics and project objectives supporting the public interest as set out in Appendix 1. Detailed below are our views on each of the project objectives:

Project Objective: Promote consistent practice and behavior and facilitate effective responses to identified risks of material misstatement related to going concern.

We are of the view that the explicit requirements regarding the risk assessment procedures the auditor is required to perform will serve the public interest by facilitating a more consistent application across firms of all sizes and jurisdictions, of the requirements of ISA 315 (Revised 2019), when applying its requirements to the assessment of the risk of material misstatement related to an entity’s ability to continue as a going concern. A consistent and effective risk assessment provides a better foundation for effective responses to the identified risks of material misstatement related to going concern.

Project Objective: Strengthen the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional skepticism

We are of the view that the proposed requirements meet the objective of strengthening the auditor’s evaluation of management’s assessment of going concern, however as detailed in our responses below, we are concerned that the requirements are not scalable to entities of all sizes and complexity, or further guidance will be needed to achieve consistency in practice. In particular, as noted in our response to question 8, we are of the view that the evaluation of management’s assessment of going concern should be responsive to the method used by management to perform the analysis and be based on the auditor’s risk assessment.

We agree that there is increased emphasis on the application of professional skepticism regarding the evaluation of management’s assessment of the entity’s ability to continue as a going concern. However, as noted in our response to question 4, to serve the public interest better, we are of the view that more guidance is needed on its practical application, in particular how auditors appropriately demonstrate that they have applied professional skepticism in the performance of the audit.

Project Objective: Enhance transparency with respect to the auditor’s responsibilities and work related to going concern where appropriate, including strengthening communications and reporting requirements

We are supportive of the intent to enhance transparency regarding going concern considerations; however, we question whether it serves the public interest to require such disclosures absent similar requirements in

the financial reporting frameworks used by entities in the preparation of the financial statements and the notes thereto. We are concerned that the required disclosures proposed will be misinterpreted by stakeholders or may suggest that the auditor has a greater responsibility for assessing and concluding on an entity's ability to continue as a going concern than management of that entity, thereby not achieving the objectives of increased transparency.

KPMG International Limited (KPMG)

We are supportive of the overall aims and objectives of ED-570 and we believe that some of the proposals are responsive to the public interest. However, we do have significant concerns with respect to certain proposals, which we set out in more detail below.

For example, we welcome the fact that the proposals take into account the heightened expectations of users of financial statements of listed entities, and there are clearly differentiated requirements for listed entities, proportional to listed entities and users' information needs. Additionally, throughout the application material there is guidance in respect of scalability, and examples in respect of the application of requirements to more complex entities, as well as smaller and less complex entities, although we have certain concerns in respect of scalability that we highlight in our response to Question 3.

Overall, we consider that certain of the proposed changes will help to provide greater clarity, as well as enhance the overall approach to auditing the going concern assessment by more closely aligning it with the foundational standards, including ISA 315 (Revised). These proposed changes include applying a 'going concern lens' to risk identification/assessment procedures; clarification that the auditor identifies events or conditions on a gross basis, before consideration of mitigating factors; enhanced content requiring more robust and timely risk identification/assessment procedures, and a more robust approach to evaluating management's assessment. We also welcome proposed changes to enhance and embed professional skepticism throughout the audit in respect of going concern-related matters.

We are 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 also support the IAASB's intentions to provide greater clarity in respect of terminology, although we have concerns that the definition of a Material Uncertainty Related to Going Concern (MURGC) does not take account of the proposed changes to the standard, in particular, the clarification of the fact that events and conditions are identified on a gross basis, with mitigating factors then considered in determining whether there is a MURGC, and may not be consistent with the requirements/guidance set out in the standard. The reference to disclosures within the definition also introduces confusion into the concept of a MURGC. We recommend, in particular, that the definition be updated to make specific reference to the consideration of management's plans and their ability to mitigate the effects of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and to remove the reference to disclosures. (Please see our response to Question 5 for further details).

Notwithstanding the above, however, we have concerns with certain proposed changes to the standard, which we describe in our responses to the questions below, along with our related recommendations.

With respect to the public interest, we have significant concerns regarding the proposal for the auditor to report their conclusion as to the appropriateness of management's use of the going concern basis of accounting and related statement regarding not having identified material uncertainties in the auditor's

report, when the use of the going concern basis of accounting is appropriate and no material uncertainty exists. Our first concern is that the separate conclusion and related statement on matters related to going concern is piecemeal in nature and potentially undermines the importance of the auditor's opinion, which is intended to provide a clear, and binary, conclusion to users on the financial statements as a whole. We believe that the proposed conclusion and related statement on one specific aspect of the financial statements is not helpful and may undermine the intended primacy of the auditor's opinion, which may cause confusion to users. Additionally, we consider that the conclusion and related statement are not aligned with the fundamental principle of auditor's reports to report matters "by exception." Therefore, we are concerned that the inclusion of such conclusions and related statements could unnecessarily clutter the report and potentially desensitise users to information related to going concern matters in the auditor's report more generally, which would not be in the public interest. Furthermore, we believe that the inclusion of the conclusion and related statement may suggest a disproportionate emphasis on going concern over other aspects of the financial statement audit.

Related to this, we also have a concern that increased disclosure of this nature in the auditor's report may potentially widen the "expectation gap" and create a perception that disproportionate responsibility rests with the auditor with respect to the going concern assessment, given that the auditor would be required to express an explicit conclusion in the auditor's report when management may not have made an explicit assertion in the financial statements in this respect, and there may be little or no disclosure in the financial statements when the use of the going concern basis is appropriate; that conclusion did not require significant judgment, and no material uncertainty exists. Consequently, we are not supportive of the proposed requirements in paragraph 33(a). (Please see our response to Question 13 for further details.)

From a broader perspective, we highlight that the requirements and guidance set out in ED-570 are generally more prescriptive and comprehensive than the requirements and guidance relating to management's going concern assessment and related financial statement disclosures set out in certain financial reporting frameworks (e.g. IFRS Accounting Standards) are for preparers. We consider that certain proposed enhancements to ED-570, such as new requirements to provide greater transparency to users regarding considerations in respect of going concern in the auditor's report, appear to be, in part, in response to the lack of requirements/guidance in certain financial reporting frameworks. We have commented previously, e.g. in our response to the IAASB Discussion Paper (DP), *Fraud And Going Concern In An Audit Of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statements Audit* regarding the need for complementary changes to requirements to balance the roles and responsibilities of others, as well as auditors, in the financial reporting ecosystem, to ensure that these are substantially aligned and able fully to function in concert in the public interest. We recognise that the introduction of legal/ regulatory/ corporate governance code requirements will take place on a jurisdiction by jurisdiction basis, with this evolution occurring at a different pace across different jurisdictions, and we believe it is important for the IAASB to continue its efforts to reach out to and work closely with other bodies, including financial reporting standard-setters, such as the IASB, as well as national standard-setters, bodies responsible for establishing legal and regulatory, and corporate governance, frameworks/requirements, on a global basis, in exploring this area to develop appropriate solutions. We acknowledge that such outreach and collaboration on a global basis will likely be challenging, but we consider it important in order to drive the necessary improvements and improve public confidence in the global capital markets.

Furthermore, whilst we consider that the proposed enhancements to ISA 570 will be helpful in responding to certain stakeholder concerns, in terms of the broader public interest considerations, the wider issue remains that an entity's ability to continue as a 'going concern' (as a broader concept than envisaged by auditing and

financial reporting standards, being a basis of preparation of the financial statements) is an area that stakeholders most want information and clarity about, i.e. whether an entity is likely to continue operating, and the resilience of the entity's business model in this regard, over the longer term.

Accordingly, we suggest the IAASB encourage other relevant bodies to explore the possibility of an approach under which further information could be provided by management, e.g. in the front section of the annual report, about potential events/ conditions and related risks beyond the period of management's assessment of going concern, looking at the longer-term, including business plans and risks more widely. Such information would not form part of the binary conclusion as to whether the going concern basis of preparation is or is not appropriate but could provide important information to investors about the business model, key risks/ uncertainties and their implications for the resilience of that model in the longer-term. We suggest that the IAASB, together with other relevant bodies, explore the possibility of developing a framework for such resilience/ viability measures, for reporting on by the entity. We consider that such discussions would be very much aligned with other recent initiatives and dialogue in respect of interconnected standard-setting for corporate reporting, with increasing recognition by many independent standard-setting bodies, regulators, preparers, practitioners and other stakeholders that reporting on historical financial information alone may not be sufficient to provide a holistic view of a company's performance. There is increasing demand for a longer-term, future-oriented view across a wider range of aspects of a company's performance, including non-financial information elements, the impacts of these different aspects and their interdependency with financial reporting.

In connection with the above, there is increased stakeholder focus on the risks of climate change, environmental damage and societal issues, which have a close relationship with longer terms aspects of 'going concern' considerations, and such matters are in the spotlight more than ever. As a result, we expect greater demand for reporting by companies that addresses their impacts and initiatives in relation to these overarching global concerns as a core feature impacting their market value.

Mazars (MZ)

From the outset, Mazars wishes to note its appreciation and acceptance of the drivers of the project to revise ISA 570 (Revised), including an acknowledgment that the project objectives, as set out in the Project Proposal, clearly meet and support the IAASB's public interest mandate.

We interpret the strengthening of the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern as a key project objective, as well as the primary driver of the proposed revisions to ISA 570 (Revised). Taking into account that management's assessment also informs the entity's use of the going concern basis of accounting, there can be no doubt about the public interest value of this project objective. We therefore fully appreciate the basis and rationale of the proposed enhancements that are intended to strengthen the rigor and robustness of the auditor's evaluation of management's assessment.

Although supportive of the concept to strengthen the auditor's evaluation, we are concerned about the clarity or basis of the auditor's work effort, including scalability, when considering the proposed requirement to evaluate management's assessment. As currently drafted, the design of the nature and extent of the auditor's required evaluation (paragraphs 17 and 19 of ED-570), is not based on, or responsive to, the auditor's risk assessment procedures. In our view, the required evaluation appears to be based on the premise that management ordinarily and diligently prepares an assessment of going concern that complies with some degree of formality regarding the method, assumptions and data used. Under the circumstances, we recommend that the scalability of the requirement is clarified, in particular in circumstances where the

use of the going concern principle is considered appropriate given, for example, the auditor's risk assessment, and regardless of whether management made an assessment, or whether any particular method, assumptions or data were considered, as contemplated by the revised requirements.

We acknowledge and appreciate guidance on the scalability of the auditor's required evaluation of management's assessment included in the application material, e.g., explaining that the nature and extent of the auditor's procedures is a matter of professional judgment and may vary based on the nature and circumstances of the entity. However, to avoid confusion about how the proposed requirement aligns with the principles of, and linkages between, ISA 315 (Revised 2019) and ISA 330, we encourage the IAASB to incorporate, in the requirements, the role of the auditor's risk assessment when exercising judgment about the nature and extent of the auditor's procedures in evaluating management's assessment.

Further, we appreciate the basis of the clarification of the commencement date of the twelve-month period of management's assessment, noting it supports the public interest and is aligned with amendments previously made by some jurisdictions. However, to be responsive to stakeholder demands and heightened risks pertaining to going concern, we are concerned that, on balance, the proposed revisions to ED-570 place much more emphasis on the role of the auditor in making an assessment about the entity's going concern, as opposed to recognizing the responsibilities of the management, which are governed by the requirements of the applicable accounting framework.

This approach may have unintended consequences. For example, as acknowledged in the Explanatory memorandum, the commencement date of the 12-month period in accordance with ED-570 is not the same as the commencement in accordance with IAS 1. It follows that we are concerned about the auditor's ability to mandate or request management to prepare an assessment that complies with ED-570 but is inconsistent with the accounting framework.

We acknowledge the explanation in the Explanatory Memorandum, noting that the commencement of the 12-month period in ED-570 is not necessarily "inconsistent" with the requirement of IAS 1. However, we wish to caution against a presumption that the auditor would ordinarily expect entity management in agreeing to prepare a separate or modified assessment of going concern that is subject to increased levels of subjectivity (events and conditions beyond the scope of the assessment of the accounting framework) and scrutiny for external audit reporting purposes. Therefore, to align with the relevant proposals in ED-570, we believe it's critical for the IASB to consider revisions and enhancements to IAS 1 Presentation of Financial Statements.

In summary, we wish to emphasize our acknowledgement of the merit of the proposals to strengthen the auditor's evaluation of management's assessment of going concern, which is also aligned with and responsive to the project objectives that support the public interest. However, as explained, we are concerned about possible unintended consequences when considering the clarity of the auditor's required work effort and the specificity of the scope of the 12-month period as contemplated by ED-570 (i.e., we question whether it's appropriate for auditing standards to drive financial reporting standards). Nonetheless, to the extent that the relevant proposals are retained, we strongly recommend that the IAASB supports the auditor's ability to successfully implement the new requirements by developing "change management" educational materials aimed at preparers, TCWG and other stakeholders.

MNP LLP (MNP)

ED-570 was formulated against the backdrop of global corporate failure, which amplified the demand for enhanced transparency on going concerns. We believe that the proposal in ED-570 is responsive to these needs, and will likely enhance confidence in the capital markets which will benefit that specific element of

the public interest. However, we would like to acknowledge that the proposal will impose inadvertent burdens to some private companies, such as less-complex entities, not-for-profit organizations and public sector entities where the going concern basis of financial reporting is of less significance and confidence in the capital markets does not directly influence their operations or financial statements.

PriceWaterhouseCoopers (PwC)

We believe that, in principle, the proposals presented in ED-570 are responsive to the public interest in the light of the project objectives aimed at enabling consistent auditor practice and behaviour, and enhanced transparency with respect to the auditor's responsibilities and work related to going concern.

Going concern continues to be a persistent area of expectation gap, and we recognise the important role auditors play in enhancing trust in audit and financial reporting through the performance of robust procedures and transparent reporting about the most important matters in an audit. While it is appropriate to consider whether there are ways in which the auditing standards can be improved, the root causes of the expectation gap and effective solutions to it are unlikely to be a function of the financial statement audit alone.

Management and those charged with governance are responsible for a robust, balanced and transparent assessment of an entity's ability to continue as a going concern and for making appropriate disclosures. But all participants – preparers, those charged with governance, investors, other users, regulators, as well as auditors – have a role to play in encouraging and supporting high-quality corporate reporting and audit. Without broader change and a coordinated effort, expectation gap issues will persist. Investors' desire for greater insight into companies' viability cannot be achieved by statements made by the auditor alone.

Reforms introduced in jurisdictions that appear to have had the greatest positive impact have involved holistic changes to the respective responsibilities of the parties in the ecosystem. In such cases, changes to the auditor's responsibilities were made at the same time as complementary changes in management's responsibilities (e.g., for the design and effectiveness of internal control over financial reporting and enhanced disclosure of management's plans to alleviate uncertainties related to going concern), governance responsibilities (e.g., for the evaluation of the entity's longer-term viability), and the legal and regulatory framework (e.g., clearly defined responsibilities, accountabilities and consequences in law and regulation).

We believe that greater transparency in management disclosures about matters related to longer-term viability and future prospects (such as those addressing risk factors, liquidity risk, financing plans, contractual obligations, and forecasts) would provide more timely and relevant information to users about the entity's financial condition and would allow users of financial statements to apply their own judgement in making decisions based on that more relevant and useful information.

As the global auditing standard setter, we believe the IAASB is uniquely positioned to engage in dialogue with other global stakeholders in the corporate reporting ecosystem to encourage broader and more coordinated change. We encourage the IAASB leadership to actively work with others, such as IOSCO, the IASB, IFAC, the OECD, Transparency International, the World Bank and the IMF to build consensus on a package of reforms for the evolution of the roles and appropriate responsibilities of all parties to the corporate reporting ecosystem that collectively can make a substantive change in addressing the expectation gap with respect to going concern and longer-term entity viability.

In summary, other than those matters described in the Specific observations on key proposed revisions section above, we support the proposed revisions in ED-570. The proposals should assist auditors in

performing a robust evaluation of management's assessment of an entity's ability to continue as a going concern and provide greater transparency to users of financial statements about the auditor's work and conclusions in that regard. However, these changes alone will not, in our view, fully address the systemic expectation gap in this area. We call on the IAASB to lead the debate with other participants in the corporate reporting ecosystem to explore holistic, coordinated, solutions addressing the respective responsibilities of parties to the ecosystem, and we stand ready to participate in and support those discussions to help foster meaningful, sustained long-term trust in corporate reporting and audit.

Broader ecosystem change is critical to establishing trust

We recognise the significant public interest in the work of auditors that is responsive to going concern risks. Consequently, even under extant ISA 570 (Revised), we are continuing to focus on enhancing the execution and transparency of our work in this critical area. Many of the changes proposed in ED-570 will support the whole profession in performing audit procedures of consistently high quality. Nevertheless, we believe that meaningful and sustainable trust in corporate reporting and addressing the systemic expectation gap amongst users about matters that may affect the longer-term viability of entities can only be achieved through a collective corporate reporting ecosystem response.

Changes to auditing standards have an important role to play in enhancing the framework for the evaluation of management's assessment but cannot supplant the responsibilities of others in the ecosystem. Management and those charged with governance are responsible for a robust, balanced and transparent assessment of an entity's ability to continue as a going concern and for making appropriate disclosures. But all participants – preparers, those charged with governance, investors, other users, regulators, as well as auditors – have a role to play in encouraging and supporting high-quality corporate reporting and audit. Without broader change and a coordinated effort, expectation gap issues will persist. Investors' desire for greater insight into companies' viability cannot be achieved by statements made by the auditor alone.

Reforms introduced in jurisdictions that appear to have had the greatest positive impact have involved holistic changes to the respective responsibilities of the parties in the ecosystem. In such cases, changes to the auditor's responsibilities were made at the same time as complementary changes in management's responsibilities (e.g., for the design and effectiveness of internal control over financial reporting and enhanced disclosure of management's plans to alleviate uncertainties related to going concern), governance responsibilities (e.g., for the evaluation of the entity's longer-term viability), and the legal and regulatory framework (e.g., clearly defined responsibilities, accountabilities and consequences in law and regulation).

We believe that greater transparency in management disclosures about matters related to longer-term viability and future prospects (such as those addressing risk factors, liquidity risk, financing plans, contractual obligations, and forecasts) would provide more timely and relevant information to users about the entity's financial condition and would allow users of financial statements to apply their own judgement in making decisions based on that more relevant and useful information.

As the global auditing standard setter, we believe the IAASB is uniquely positioned to engage in dialogue with other global stakeholders in the corporate reporting ecosystem to encourage broader and more coordinated change. We encourage the IAASB leadership to actively work with others, such as IOSCO, the IASB, IFAC, the OECD, Transparency International, the World Bank and the IMF to build consensus on a package of reforms for the evolution of the roles and appropriate responsibilities of all parties to the corporate reporting ecosystem that collectively can make a substantive change in addressing the expectation gap with respect to going concern and longer-term entity viability.

RSM International Limited (RSM)

Yes, we agree that the proposals in ED-570 are responsive to the public interest except for the following:

As further discussed in our response to question #3 below, we do not believe the standard is sufficiently scalable to entities of different sizes and complexities.

As further discussed in our response to question #13 below, we are of the view that some of the proposals relating to changes to the auditor's report could lead to "boilerplate" statements, which would reduce their value to financial statement users and as such do not necessarily support the public interest.

We believe that it is important to emphasize that management and those charged with governance have primary responsibility for assessing and safeguarding the going concern of the entity. Although this is implicit throughout ED-570, we believe it would be in the public interest to explicitly state this primary responsibility.

5. Public Sector Organizations

Office of the Auditor General New Zealand (OAGNZ)

Relevance, and Clarity and conciseness, including overall understandability – Qualitative standard-setting characteristic

The most significant changes that are being proposed in ED-570, are in direct response to stakeholder needs. However, in the paragraphs below we described areas where the introductory material could be improved.

ED-570 would benefit from a discussion about the relative roles and responsibilities of the main parties with an interest in whether an entity is a going concern (management and those charged with governance of the entity; investors, regulators and other stakeholders; and the auditor).

We recommend that the following context be considered in the introductory paragraphs to reduce the 'expectation gap':

Management and those charged with governance have the primary responsibility for the entity's ability to continue as a going concern. The role of those charged with governance has not been described in ED-570.

The responsibilities of investors, regulators and other stakeholders have not been described in ED-570. We understand that the ISAs cannot impose requirements on other parties, but this context could further clarify that the auditor does not carry the primary responsibility for assessing whether an entity is a going concern.

The auditor is determining the appropriateness of the financial statements being prepared on the going concern basis of accounting. The scope of this work is narrow or limited to evaluating management's assessment of the entity's ability to continue its operations for the 12-month period starting from the date of approval of the financial statements. The scope and limitations could be further explained in paragraphs 6 and 7 of ED-570.

Coherence – Qualitative standard-setting characteristic

The proposed changes appropriately build on the foundational standards, in particular ISA 315 (Revised 2019) and ISA 540, except where we comment otherwise. See our response to question 16.

UK National Audit Office (UKNAO)

Going concern in the UK public sector context

The Comptroller and Auditor General (C&AG)'s audit mandate is largely focussed on the audit of UK central government, although the C&AG does have a wider role in setting the Code of Audit Practice applicable within local government in the UK.

UK central government departments and associated bodies classified to central government are required to prepare their financial statements in accordance with International Accounting Standards (IAS) (UK) which have been further adapted by the UK's finance ministry (HM Treasury) within their Government Financial Reporting Manual (FReM) to reflect the UK public sector context. Similar adaptations to IAS (UK) have been made by the standard setters for local government within the UK.

HM Treasury's FReM interprets paragraphs 25 and 26 of IAS 1 – Presentation of Financial Statements in relation to going concern as follows:

“for non-trading entities, the anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern. However, a trading entity needs to consider whether it is appropriate to continue to prepare its financial statements on a going concern basis where it is being, or is likely to be, wound up,

Sponsored entities whose statements of financial position show total net liabilities should prepare their financial statements on the going concern basis unless, after discussion with their sponsors, the going concern basis is deemed appropriate, and

Where an entity ceases to exist, it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of financial statements.”

Most public sector entities within the UK are non-trading. The interpretation above therefore means that for these entities, an evaluation of their going concern status is not predicated upon the ability of the entity to continue to trade or whether there is an intention to liquidate the entity but is instead predicated upon whether the services provided by the entity will continue to be provided in the future either by the entity itself or a different entity.

The UK's Financial Reporting Council (FRC) has worked together with the Public Audit Forum (PAF) which is chaired by the UK NAO to issue Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom. Practice Note 10 provides guidance on how to apply the ISAs (UK) in the public sector context. In relation to ISA (UK) 570 there is extensive guidance on how to apply extant ISA (UK) 570 – Going Concern, particular in relation to the continued provision of service adaptation of the financial reporting framework noted above.

Our response is therefore focussed on the perspective of ensuring that auditors within the UK public sector can take a proportionate approach to considering going concern in the context of the financial reporting framework in which the UK public sector is preparing their financial statements. This reflects the view that the risks surrounding going concern are more focussed and limited when the continued provision of service approach is followed. We have therefore focussed our response on the questions within your consultation document which relate to these matters.

We acknowledge that in arriving at this outcome it will be necessary to revise Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom to reflect the revised standard as we remain broadly supportive of the proposed revisions in the context where the continued provision of service approach does not apply. To achieve this objective, we consider that the proposed standard needs to give greater prominence to considering the requirements of the financial reporting

framework in relation to going concern and allowing the auditor to tailor their responses to the risks inherent in the financial reporting framework.

We are supportive of the overall objective of the standard setter in revising ISA 570, to strengthen the auditor's evaluation of management's assessment of going concern where this is an appropriate response to going concern risk and to enhance transparency with respect to the auditor's responsibilities and work related to going concern.

We believe that the proposals in ED-570 are responsive to the public interest in the commercial sector context, strengthening the auditor's evaluation of management's assessment of going concern where it is appropriate to do so.

The additional transparency provided by the proposed changes to auditor reporting in paragraph 33 to 37, will also help to ensure that the users of the financial statements have an enhanced understanding and expectation of the work performed by auditors in relation to going concern.

In the context of the UK public sector where, for most entities, the definition of going concern in the financial reporting framework is predicated upon continuation of provision of service rather than on liquidity, a key concern of the users of the financial statements is to ensure that the auditor's work in relation to going concern is proportionate and focussed on the risks to continuation of service provision. The auditor's mandate generally provides for a separate consideration of matters related to financial sustainability upon which, we report extensively through separate reporting mechanisms.

In this context, we consider that the proposed standard could be more explicit in requiring the auditor to perform both risk assessment procedures and their evaluation of management's assessment of going concern in the context of the definition of going concern provided within the financial reporting framework.

We do not consider that the requirements set out in Paragraphs 12(b) and 12(c) of ED-570 are relevant when the financial reporting framework requires the financial statements to be prepared on a going concern basis predicated upon the continued provision of service.

Furthermore, the requirements for understanding the entity's system of internal control in relation to going concern within paragraphs 12(g) to 12(i) of ED-570 could benefit from the addition of scalability guidance within the application guidance for the circumstances where going concern is simple and therefore management's controls addressing going concern risk are proportionate to that risk. Such application guidance could provide examples of what the auditor must consider when, for example, reviewing management's risk assessment process over going concern risks, where going concern risk is minimal in the context of the financial reporting framework.

We believe that giving greater prominence to the auditor's understanding of the requirements of the applicable financial reporting framework relating to going concern would achieve many of these aims by allowing the auditor to focus on this first. We would therefore be supportive of introducing the material in paragraphs 12(d) and 12(e) in ED-570 as a separate whole paragraph ahead of the current paragraph 12.

Alternatively, an option would be to add public sector application guidance associated with paragraphs 11 to 15 which set out some of the context of the financial reporting frameworks applicable in the public sector and noting that the auditor should tailor their risk assessment procedures required by paragraphs 11 to 15 to reflect the definition of going concern within financial reporting frameworks applied in the public sector context.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

Going concern is one of the key topics oriented to public interest so any revisions of the auditing standards should aim to reduce the expectation gap among different stakeholders.

Although the primary responsibility lies with companies, we believe that each party, including de facto the auditors, and the interactions amongst them, need to evolve to create a stronger ecosystem. Indeed, a stronger financial reporting ecosystem could enable entities to adopt preventative measures timely and better manage relevant risks.

The proposals, however, seem to address issues that are not within the remit of auditing standards, such as the period of management's assessment. We also have concerns about ED ISA 570's proportionality since it does not address cases where the risks related to going concern are trivial or do not exist.

Lastly, it remains difficult to eliminate the expectation gap as assessing an entity's ability to continue as a going concern has its inherent limitations which cannot be eliminated. This is because such assessment is based on forecasts about the future and thus always involves a level of uncertainty.

We believe that the corporate reporting ecosystem should evolve and become more effective at identifying issues on a timely basis with an entity's ability to continue as a 'going concern' and be equipped with mechanisms for dealing with them. Our publication (February 2021) presents recommendations to strengthen the ecosystem and re-examines the role of key parties to make the system more resilient: entity's management and those charged with governance, external auditors, standard setters, regulators and policymakers.

In this regard, we welcome IAASB's revisions to ISA 570 requiring a more proactive and focused audit approach, including specific risk assessment procedures, from auditors.

As noted in our publication, the period for going concern assessment should be clarified and harmonised between auditing and reporting frameworks. However, this is an issue for reporting standards in the first place and in principle, auditing standards should not establish implicit requirements for audited entities.

In addition, for entities where there are no or remote risks of material uncertainty related to going concern, proposed requirements will lead to further work and documentation from auditors while adding limited value for the users of the audit report. Therefore, we invite the IAASB to improve the scalability and proportionality of the standard by addressing the cases where the entity has clearly no risk related to going concern, e.g. when the entity has profitable operations and there are no liquidity concerns.

Center for Audit Quality (CAQ)

Need for Improvements to the Applicable Financial Reporting Framework

ED-570 is an important step forward to enhance the auditor's role in evaluating management's assessment of the entity's ability to continue as a going concern. We believe it is important to acknowledge that the primary responsibility for assessing going concern and providing robust disclosure of significant judgments made in the evaluation rests with management as required by the applicable financial reporting framework. In complying with the applicable financial reporting framework, management has the primary responsibility for identifying and assessing events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Robust disclosure prepared by management regarding the assessment of the entity's ability to continue as a going concern, including events and conditions identified, and other

disclosures regarding risks and liquidity provide important information about the long-term viability of the entity to financial statement users.

We have seen in the United States that enhancements by the Financial Accounting Standards Board (FASB) to establish a disclosure framework, together with incremental requirements that govern SEC filings (which are applicable for publicly traded companies), have served to provide transparency about an entity's ability to continue as a going concern and related risks (e.g., liquidity, financing and other risks that could adversely affect a company). Academic research supports this view. One study examined management's going concern disclosures in the U.S. before and after the FASB's updated standard, Accounting Standards Update No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern (FASB ASU 2014-15), became effective. The study found that, subsequent to the implementation of FASB ASU 2014-15, the market reacts more negatively to substantial doubt about an entity's ability to continue as a going concern and that management's going concern conclusions are more indicative of corporate failure.

Further, the study found that when events and conditions exist that give rise to substantial doubt, certain management plans to mitigate those events and conditions as disclosed in the financial statements are perceived to be more effective and credible by financial statement users, thereby lessening the negative market reaction after the implementation of FASB ASU 2014-15. In our view, this demonstrates that a robust financial reporting framework gives credibility to management's assessment of the entity's ability to continue as a going concern and related disclosures in the financial statements and provides decision-useful information to financial statement users.

As such, we believe that the financial reporting framework and auditing standards need to work in concert to drive increased transparency for financial statement users. This cannot be achieved by revising the auditing standards alone - as the IAASB's actions may be misinterpreted as suggesting investors should look to auditors, rather than management, to provide earlier warning of issues related to the entity's ability to continue as a going concern. Therefore, although outside the scope of the IAASB's work, we believe that it should be a high priority for the IASB to consider potential revisions and enhancements to IAS 1 Presentation of Financial Statements. Specifically, we recommend convergence with FASB ASU 2014-15 and believe that enhanced disclosure requirements in IAS 1 would provide beneficial information and transparency to financial statement users.

Chamber of Auditors of the Czech Republic (CA CR)

Yes.

But, as detailed in our response to questions 3 and 8, the ED is not scalable enough. There are frequent situations when no events or conditions have been identified that may cast significant doubt about the entity's ability to continue as a going concern and this should be reflected in the amount of audit work required in such situation.

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

General comments

We welcome the opportunity to comment on the proposed ED-570, Going concern and we commend the IAASB for moving forward with the revision of the standard. This is a topic of significant public interest given the direct relevance it has with corporate failures. As the IAASB's discussion paper Fraud and Going Concern in an Audit of Financial Statement Exploring the Differences Between Public Perceptions About the

Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit, explicitly stated, the IAASB cannot narrow the expectation gap alone, others too will need to consider and act upon their role in narrowing the expectation gap, so that there is a better functioning financial reporting ecosystem.

Similar views were expressed in ACCA's thought leadership paper in collaboration with CA ANZ, CPA Canada and the Canadian Auditing and Assurance Standards Board titled Closing the Expectation Gap in Audit – the way forward on fraud and going concern: A multistakeholder approach (the 'thought leadership report'), by our stakeholders representing the financial reporting ecosystem who emphasised the important role that each stakeholder has in narrowing the expectation gap relating to fraud and going concern.

We generally agree that the proposals in ED-570 are responsive to the public interest subject to the concerns noted in our responses to the specific questions.

However, we are particularly concerned that in some instances the proposed requirements are beyond the remit of the IAASB and that some also imply shifting management's responsibility towards the auditor. We identify this in a number of the proposed requirements that we refer to in our responses to the specific questions below. Some examples include:

Para 11 refers to identification of events and conditions by the auditor.

Para 21 suggests that the auditor shall request management to extend its assessment of the entity's ability to continue as a going concern if it covers less than twelve months from the date of approval of the financial statements. This does not align with the requirements of the financial reporting standards. If it is desirable for the auditor to evaluate management's assessment of going concern for 12 months from the approval date, then it should be an explicit requirement of the financial reporting for management to make their assessment over that period. This is a financial reporting issue that should be addressed in financial reporting standards. More specifically, in the case of the International Financial Reporting Standards, the IASB should address this in IAS 1, Presentation of Financial Statements.

Colombia's National Institute of Public Accountants (INCP)

Yes, the improvement project accomplishes that responsibilities of both, management and auditor, contribute to the public interest. Thus, we support that the implications and changes required for this ISA and all the other standards to align with the new definition of publicly traded entities and the definition of PIE (Public Interest Entities) of the IAASB and the Code of Ethics continue to be studied.

We emphasize that this assessment must be previously performed by management, being aware of the legal requirements of each country regarding going concern, insolvency or other related local regulations, so that the auditor can do their job.

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

We consider going concern as a topic of great interest for both auditors and companies, and in general for all the stakeholders.

In general, we believe that the proposals in ED-570 will strengthen the auditor's evaluation of management's assessment of going concern basis of accounting.

It is worth highlighting how the analysis of the risk assessment process carried out by management to identify any uncertainties on going concern may represent a more effective approach in assessing the going concern basis of accounting.

Moreover, the proposals in ED-570 relating to the period of management's assessment should be harmonized with the forecasts of the applicable accounting frameworks, even because such assessment should be covered by these frameworks rather than by the audit standards.

For what concerns the scalability of the standard, when there are no risks on going concern, the proposed provisions should be narrowed, they could otherwise prove to be excessive and with a poor added value.

CPA Australia (CPAA)

Other than the proposals to enhance transparency, we agree that the proposals in ED-570 have the potential to meet the intended project objectives. As noted in our responses to the specific questions below, we support the proposals to enable consistency in practice and improve auditor behaviour, and we believe these proposals support the public interest.

Ensuring the entity remains a going concern is primarily management's responsibility. All participants of the financial reporting ecosystem including auditors need to be working together towards ensuring that management is fulfilling its responsibility. We believe there is a need to address disclosures by management of their going concern assessment in the financial statements. In response to the third agenda consultation by the IASB, our submission recommended that the IASB should undertake a project to improve going concern disclosures in the financial statements. We believe that there needs to be improvements in the current requirements for disclosures in financial statements for the proposals in ED-570 around going concern disclosures in the audit report to be effective.

In our view, the current requirements in paragraph 25-26 of IAS 1 do not adequately address disclosure of management's going concern assessment. We encourage the IAASB to continue its discussions with the IASB to ensure that a holistic approach is taken that meets the expectations of stakeholders and that is in the wider public interest.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We generally agree.

We recognize the motivation for the revisions is the incidence of corporate failures and addressing this is in the public interest. We also recognize the significant challenges in defining the public interest and we appreciate that the proposed revisions attempt to manage the expectations of the users of financial statements with improved disclosure of risks in relation to going concern. That said, we believe some of the fundamental issues concerning public interest surrounding going concern relate to the expectation gap between the users' understanding and the actual responsibilities of the auditor. Many believe that auditors are providing assurance on an entity's going concern. This arises from a misunderstanding around the respective responsibilities of management and the auditor in relation to going concern. The revision of ISA 570 presents an opportunity for the IAASB to narrow this gap.

We agree that it is in the public interest to reduce the potential for companies failing soon after the release of financial statements where no going concern issues were identified with some form of "early warning" in the shape of better disclosure of relevant information. We question, however, whether the proposed revisions to the auditor's procedures will prove effective in reducing the likelihood of such failures since they are aimed at improving disclosures and auditor reporting rather than addressing the root causes, namely deficiencies in the corporate reporting ecosystem including the expectation gap. We wonder whether it is useful to have more explanatory commentary in auditor's reports to help mitigate the expectation gap and clarify the intent of audit procedures and what is not possible.

We also note that the proposed language of paragraphs 11 and 33(a)(ii) seems to imply the auditor has a direct responsibility for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This may exacerbate the expectation gap and so be contrary to the public interest.

We greatly appreciate the careful consideration the IAASB has paid to ensure that the proposals are scalable. Nevertheless, we do have some concerns. It is vital that we close, or at least narrow, the expectation gap between public perception and respective responsibilities of management and the auditor. All participants in the financial reporting supply chain have a role to play in helping ensure high-quality financial reporting. We believe some of the proposed revisions will not only prove ineffective in reducing the expectation gap in relation to going concern but rather they might even widen the gap. We are especially concerned that the articulation of the proposed requirements including the auditor's report implies it is the auditor's responsibility to identify events or conditions that cast significant doubt on the ability of an entity to continue as a going concern.

IFAC SMP Advisory Group (SMPAG)

As we discuss in further detail later in this response, there is also a concern that the proposed language of paragraphs 11 and 33(a)(ii), which imply the auditor has a direct responsibility for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern could also worsen the expectation gap, so would be contrary to the public interest. The proposed revisions could also do more to emphasize the challenges around auditor judgements in this future-looking area, as we discuss further in the response to question 2. A lack of clarity about such challenges could also further compound the expectation gap and may serve to drive audit partners who sign accounts in jurisdictions with personal liability out of the profession, which would be detrimental to the public interest.

GENERAL COMMENTS

The SMPAG appreciates the efforts the IAASB has taken in drafting the proposed changes to the standard and is pleased to see the consideration given for scalability within the proposals. However, there are several areas of concern we wish to raise. Closing the expectation gap between public perception and respective responsibilities of management and the auditor is important. As outlined in IFAC's response to the IAASB's discussion paper on fraud and going concern, we strongly believe that each participant in the financial reporting ecosystem has an essential role that contributes to high-quality financial reporting. We are concerned that some of the proposed revisions may result in increasing rather than reducing the expectation gap in relation to going concern. Particularly worrying is wording in the proposed requirements including the auditor's report that implies it is the auditor's responsibility to identify events or conditions that cast significant doubt on the ability of an entity to continue as a going concern, which we will discuss in more detail later.

The SMPAG acknowledges the challenges in defining the public interest, and we note that the proposed revisions attempt to manage the expectations of the users of financial statements with more extensive and clearer disclosure of risks in relation to going concern. However, we believe some of the fundamental issues concerning public interest surrounding going concern relate to the expectation gap between user understanding and the actual responsibilities of the auditor. The perception exists that auditors are signing off to confirm going concern, and this in part stems from a lack of understanding around the respective responsibilities of management and the auditor in relation to going concern. The revision of ISA 570 presents an opportunity for the IAASB to seek to close this expectation gap.

We note corporate failures have been identified as a driver of this project and we agree a response to these would clearly be in the public interest. However, the proposed revisions in the Exposure Draft also create some challenges for SMEs and SMPs that would appear to be contrary to other elements of the public interest. The proposed change in commencement period of management's consideration to 12 months following the approval of the accounts, even where this is inconsistent to guidance in financial reporting standards in some jurisdictions and is not required by law or regulatory requirements, is one of these areas. Auditing standards creating requirements for preparers in the absence of any supporting external requirement is a contentious issue. As well as being ideologically problematic this will create onerous additional requirements for many SMEs and micro entities where there are no identifiable going concern issues, so the change would create onerous requirements and increase audit costs but add little value.

Ultimately, it would be in the public interest to reduce the potential for companies going insolvent shortly after the release of financial statements where no going concern issues are identified, with some form of "early warning" i.e., having the company disclose relevant information. The proposed revisions to the auditor's procedures seem unlikely to be able to influence the frequency with which this will happen, as they are aimed at improving disclosures and auditor reporting. Such problems occur more due to underlying issues with the corporate reporting ecosystem, which again points to the need to close the expectation gap. Additionally, both management and the auditor can only react to information known at a point in time whereas many corporate failures arise due to sudden developments after this date (for example the outbreak of the Covid pandemic). As such, expectations around this would always more generally need to be managed too, and the IAASB should do more to make this clearer, for example, by adding a further bullet point in paragraph 5 to discuss the fact that unforeseen future developments unrelated to the known events and conditions cannot factor into going concern assessments, but may be so significant as to rapidly and unexpectedly cause the entity to cease to be a going concern. It may also be useful for more explanatory commentary to be included in auditor's reports to help manage such expectations and the expectation gap and clarify the purpose of audit procedures undertaken and what is not possible.

Institute of Singapore Chartered Accountants (ISCA)

Ongoing uncertainties in the macro-economic environment and recent developments in the corporate reporting landscape such as corporate failures of prominent companies like Wirecard and Silicon Valley Bank, necessitate a revisit of the extant standard in the public interest. However, it is essential to recognise that auditors are not, and should not be, the sole guardian of public interest. Fostering a robust and trustworthy corporate reporting ecosystem requires the collective effort of various stakeholders, particularly management and directors.

While we understand that the proposed revisions are meant to support the public interest, certain new or enhanced requirements should not be implemented without an accompanying expansion of the reporting responsibilities of management and directors over going concern, as elaborated under the responses to Questions 7, 9 and 13.

Malaysian Institute of Accountants (MIA)

We are supportive of the majority of the proposed changes included in the ED-570. The new requirements and amendments in ED-570 have further enhanced the work required from the auditors to be more relevant, transparent and precise. The proposals have been emphasising the change in requirements on risk assessment procedures as well as communication with those charge with governance and users of the financial statements by the auditors.

Audit operates as part of an inter-connected corporate reporting 'ecosystem'. This ecosystem has different members, i.e., the preparers, those charged with governance, investors, other users, regulators, as well as auditors. As in any ecosystem, effective functioning of the whole depends on every member operating effectively. As a general point, we encourage the IAASB to continue to actively work with others to build consensus on a package of reforms regarding the roles and appropriate responsibilities of all parties to the corporate reporting ecosystem that collectively can make a substantive change in addressing the expectation gap with respect to going concern and longer-term entity viability.

Nordic Federation of Public Accountants (NRF)

We appreciate the IAASB's willingness to explore what changes can be made in the audit in terms of dealing with going concern matters. In that regard we also support the over-arching approach of strengthening risk assessment procedures.

In terms of being responsive to the public interest and reducing expectation gaps, we believe going concern matters with its inherent forward-looking evaluations is an area where any improvements truly require cooperation and joint effort from all participants in the corporate reporting ecosystem. Therefore, the auditing standards should be aligned with the financial reporting frameworks.

The project was initiated as a response to some company collapses within the PIE spectrum, but most of the requirements are proposed to be applied on all audits regardless of public interest, size or even risks in terms of going concern assessments. We are concerned that many of the revisions will result in more work and documentation for the auditors with limited added value for the users. Therefore, we encourage the IAASB to consider more conditional requirements but also to further improve scalability and proportionality especially when dealing with low-risk situations.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

We generally agree that the changes proposed in ED-570 respond to the public interest considering the qualitative standard-setting characteristics and project objectives. However, we may express concern with regard to the qualitative characteristics of "clarity and conciseness". Some proposed paragraphs (specifically the application material) seem unnecessarily too long while the intended message can be conveyed in a more concise way or even enough to include the desired meaning in the main requirement paragraph. For instance, para. A62 was too long to convey the message that a management reaches the conclusion that "no material uncertainty" exists based on a significant judgement made by them. Additionally, although we support the approach used in drafting ED-570 which leverages other ISAs' material by consistently referring to them, the excessive referencing to such materials appears sometimes influencing the understandability. It puts heavy burdens on users of the standard to keep track of the references as well as remember the intended contents of those referred requirements in other ISAs.

The Malta Institute of Accountants (TMIA)

The public interest was clearly at the forefront when considering the new requirement of an explicit statement on the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists.

Questions however do arise with respect to the scalability of the proposals as a whole and the additional work that may be required with respect to these proposals. More concrete examples within the ED-570 may help in clarifying expectations of what is appropriate/sufficient for, for example, less complex entities or other non-listed PIEs (such as banks). This concern is also in our responses below.

8. Individuals and Others

Altaf Noor Ali Chartered Accountants (ANA)

We are grateful to IAASB as international regulators of accounting profession for its leadership. We appreciate tremendous efforts of your team members and other stakeholders, in bringing out this Exposure Draft of great public interest. The ED establishes best practices on the continuity of an entity and its reporting by an auditor. Its importance is clear for all the audits conducted worldwide.

We are hitting the nail from the wrong head. Its for the preparers of financial statements to disclose that the financial statements are prepared on the principle of going concern. Also, that there are no conditions prevailing (other than those disclosed) for TCWG to curtail or liquidate the entity for next twelve months (from the date of approval of these f/s). Response 1/Enclosure 1

Yes, in relative sense (an improvement from extant ISA 570). No, because they do not address adequate disclosures about continuity of an entity in the financial statements.

Who is more suited to provide assurance on no need to curtail activities or liquidate the entity for the next twelve months? Management or auditor? Place: financial statement or audit report or both?

The potential effects of inherent limitations on the auditor's ability to detect material misstatements are greater for future events or conditions that may cause an entity to cease to continue as a going concern.

We submitted a write-up to the Institute of Chartered Accountants of Pakistan (Enclosure 1) in 2017 on this topic. Point 4 of Enclosure 1 is about disclosing negative assurance by TCWG is relevant.

Q01 - Disagree

4. Accounting Firms

Crowe LLP (CROWE LLP)

A: No. As a result of the scalability and transparency observations discussed above (as well as in our responses to Questions 3, 6, 8, 9, 13, and 14), we believe the Proposal may drive audit procedures that are not responsive to the auditor's risk assessment and disclosures in the auditor's report that may not be fully understandable to financial statement users, with the potential of increasing the auditor expectation gap.

5. Public Sector Organizations

Provincial Auditor Saskatchewan (PAS)

No, the proposed changes do not meet the objectives in the project proposal. Specifically, the qualitative-standard setting characteristics of scalability, implementability, and ability of being consistently applied and globally operable are not fully considered. See our responses to the specific questions (i.e., question 2, 3, 8 and 10) below for more detail.

We do not support the proposed Standard as outlined in the exposure draft International Standard on Auditing 570 (Revised 202X) Going Concern. The attachment sets out our responses to the specific questions listed in the exposure draft.

8. Individuals and Others

Colin Semotiuk (CS)

No, ED-570 can be interpreted as a standard to issue an auditor's report on going concern, which is forward looking, and not part of a standard to audit financial statements, which are historical financial information.

This is demonstrated by multiple facts, including that ED-570 would make the going concern standard go from approximately 20 pages to 60 pages, ED-570 has a section on risk assessment which is already covered by ISA 315 (Revised), the expansion of the going concern assessment from the financial statement date to the date the financial statements are issued which is already covered by subsequent events, and the proposal to highlight the auditor's conclusion on going concern as a separate section of the auditor's report. The purpose of a financial statement audit is to provide reasonable assurance on historical financial statements. ED-570 deviates from the purpose of a financial statement audit by creating an expectation of specifically auditing going concern and providing an assurance level above reasonable assurance. The consensus of reasonable assurance is 95% assurance in quantitative terms. This means that there is a 5% probability that the audit conclusion is incorrect. The key issues with going concern is users not understanding the responsibility of the auditor and management and/or auditors not completing their procedures in compliance with ISA-570. ED-570 should address these issues and not expand the requirements of the auditor. This widens the expectation gap between users and auditors and would not serve the public interest.

What the IAASB is proposing would be more valid if the acceptable financial reporting framework specifically required a disclosure by management in the financial statements that the entity is a going concern i.e. assurance on a financial statement disclosure that is forward looking information. The IAASB should not be setting disclosure requirements for financial statements in the independent auditor's report. We suggest that IAASB not update ISA 570 until accounting standard setters (e.g. IASB, IPSASB) update their requirements to require management to disclose the basis for use of the going concern in all cases, not only when there are material uncertainties. The auditor would then treat these disclosures similar to other disclosures in the financial statements.

Q01 - No specific comments

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

4. Accounting Firms

Nexia Australia Pty Ltd (NAPL)

5. Public Sector Organizations

Office of the Auditor General of Manitoba (OAGM)

6. Member Bodies and Other 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)