

Going Concern – Question 6

6. Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?

Q06 - Agree

1. Monitoring Group

International Association of Insurance Supervisors (IAIS)

Enhancing the link of ISA 570 to ISA 315 “Identifying and Assessing the Risks of Material Misstatement” ensures that the auditors are required to design and perform appropriate risk assessment procedures in a manner that is not biased towards audit evidence that may be corroborative and that does not exclude audit evidence that could be contradictory when it comes to going concern risk.

In addition, the IAIS welcomes the new application material in A7 of ISA 570 that provides examples of when an identified event or condition may present a fraud risk factor to be further considered and addressed by the auditors. The use of examples promotes consistent practice and behaviour amongst auditors. These also facilitate an effective and timely response to identified risks of material misstatements due to an entity's going concern risk.

Linkage to other ongoing IAASB projects – eg ISA 315, ISA 330, ISA 540 and ISA 720

The IAIS supports the proposed linkage of ISA 570 to other ISAs, as this ensures continued relevance and coherence between the ISAs.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Yes, the ED-570 appropriately builds and aligns to the foundational requirements in ISA 315 (Revised 2019) in requiring the auditors to obtain an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control continuously throughout the audit. The ED also expounds on the auditor's application of professional scepticism and judgment in evaluation of management's assessment of going concern. In this regard going concern assessment becomes an ongoing assessment from preliminary risk assessment through the audit to the period as prescribed by the proposed standard.

Financial Reporting Council (FRC)

YES, the FRC strongly supports the introduction of enhanced risk assessment requirements which require auditors to consider aspects of the entity and the environment more comprehensively as a basis for identifying those events and conditions which may cast significant doubt on an entity's ability to continue as a going concern.

3. Jurisdictional and National Auditing Standard Setters

New Zealand Auditing and Assurance Standards Board (NZAuASB)

We agree that the proposals build on ISA 315 (Revised 2019) to support a robust risk identification process. Our outreach indicates that most auditors are already performing the risk assessment procedures proposed in accordance with ISA 315 (Revised 2019).

We support the proposals in ED 570 that promote consistent practice and facilitate effective responses to identified risks of material misstatement. We understand that most auditors are performing the proposed risk assessment procedures.

Public Accountants and Auditors Board Zimbabwe (PAAB)

The PAAB agrees that ED 570 is appropriately build on the foundational requirements in ISA 315 (Revised 2019). We also support the need to address scalability with regards to the entity being audited in the building up from ISA 315 (Revised). The inclusion of examples, relevant to scalability to demonstrate how the nature and extent of the auditor's going concern related audit procedures may vary based on the nature and circumstances of the entity and depending on the method, assumptions and data used by management to assess the entity's ability to continue as a going concern further emphasises the building on the foundational requirements of ISA 315.

4. Accounting Firms

Assirevi

We agree with the changes proposed in ED-570 and believe that they strengthen the guidance about a more robust identification of the events or conditions that may cast significant doubt on an entity's ability to continue as a going concern.

CohnReznick LLP (CHR)

We believe ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities

Crowe Global (CROWE)

It is important that ED-570 builds on the approach of ISA 315 (Revised 2019) and we are comfortable with how this has been done.

Mo Chartered Accountants (MCA)

ED 570 supports and builds on the risk identification and assessment as per ISA 315, explains why the risk assessment procedures and related activities for matters addressing going concern are relevant, and emphasize that the auditor uses professional judgment to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of the standard.

Further, paragraph A10 of ED-570 draws attention to the foundational requirement in paragraph 13 of ISA 315 (Revised 2019) that requires the auditor to design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.

The inclusion of examples, relevant to scalability to demonstrate how the nature and extent of the auditor's going concern related audit procedures may vary based on the nature and circumstances of the entity and

depending on the method, assumptions and data used by management to assess the entity's ability to continue as a going concern further emphasises the building on the foundational requirements of ISA 315.

PKF International Limited (PKF)

Yes, we believe that the IAASB have achieved the right balance between including the requirements of ISA 315 (Revised 2019), with specific reference to “going concern”, while avoiding repeating material that is already in ISA 315 (Revised 2019).

In our view, the requirements and application material that have been included should help to facilitate a more robust risk assessment.

RSM International Limited (RSM)

Yes, we believe ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

5. Public Sector Organizations

Office of the Auditor General New Zealand (OAGNZ)

We also agree with requiring specific risk assessment procedures that link to ISA 315 (Revised 2019), and requiring more rigorous procedures to challenge management's assumptions and judgements in making their assessment of the entity's ability to continue as a going concern.

Yes, we agree that the requirements of the extant standard have been enhanced. Paragraphs 12, 14, and 15 of ED-570 appropriately build on ISA 315 (Revised 2019).

Office of the Auditor General of Canada (OAGC)

Yes, ED-570 appropriately builds on the foundational requirements in ISA 315 in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Provincial Auditor Saskatchewan (PAS)

Yes, the proposed standard appropriately addresses risk assessment procedures to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

UK National Audit Office (UKNAO)

We consider that ED-570 appropriately builds upon the foundational requirements in ISA 315 (Revised 2019) to support a robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The structural link from paragraphs 11 to 15 to the structure in ISA 315 should help firms to build these requirements into their methodologies and software.

6. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants (BICA)

We believe the proposed revisions will enhance the risk identification and assessment procedures to support auditors in identifying events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. The Board has outlined specific objectives and approaches to achieve this.

One of the objectives is to strengthen the standard while avoiding repetition of material already covered in ISA 315 (Revised 2019), which focuses on risk assessment. The IAASB aims to add incremental requirements and application material specific to going concern matters, supplementing the broader requirements of ISA 315 (Revised 2019). This approach ensures that there is no loss of understandability while enhancing the standard.

Additionally, the IAASB intends to improve the relationship and integration between ISA 315 (Revised 2019) and extant ISA 570 (Revised) by incorporating key concepts and structural elements from ISA 315 (Revised 2019) related to performing risk assessment procedures. This integration will enhance the overall coherence of the auditing standards. The current risk assessment procedures in extant ISA 570 (Revised) primarily rely on inquiry and discussion with management to determine if events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. To elevate the requirements from "inquiry and discussion" to a more robust approach, the IAASB proposes the design and performance of risk assessment procedures that provide audit evidence for the identification of relevant events or conditions. This is reflected in paragraph 11 of ED-570. The IAASB emphasizes the use of professional judgment by auditors to determine the nature and extent of the risk assessment procedures to meet the requirements of the standard (paragraphs A8-A9 of ED-570).

Certain examples of audit procedures previously included in extant ISA 570 (Revised) were reallocated to the application material in paragraph A11 of ED-570. This change aims to enhance the robustness and timeliness of the risk assessment procedures performed, aligning them with the procedures outlined in paragraph 14 of ISA 315 (Revised 2019). It also ensures that there is a link to the entity's environment, financial reporting framework, and internal control system, as required in ISA 315 (Revised 2019).

The IAASB enhanced and modernized the examples of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This is outlined in paragraph A6 of ED-570. It clarified that the identification of such events or conditions should be done by the auditor before considering any mitigating factors included in management's plans for future actions and these may be considered individually or collectively.

To improve understanding and alignment, the IAASB ensured that the description of events or conditions in ED-570 is consistent with those in the appendices of ISA 315 (Revised 2019) and ISA 240. This alignment ensures that auditors have a cohesive understanding of the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

California Society of CPA (CALCPA)

Yes; we support the introduction of enhanced risk assessment requirements to support a more robust identification of events that may cast doubt about the entity's ability to continue as a going concern.

Chartered Accountants Ireland (CAI)

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

We have no comments on the proposed requirements.

Colombia's National Institute of Public Accountants (INCP)

Yes. The articulation of ISA 315 (Revised 2019) and ISA 240 - Auditor's responsibilities relating to fraud in an audit of financial statements is evidenced. This increases the transparency in the financial statements for the different stakeholders.

Likewise, it requires the auditor to design and apply risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of relevant facts or conditions, highlighting the auditor's professional judgment to determine the nature and scope of risk assessment procedures that must be performed to comply with the requirements of the standard.

CPA Australia (CPAA)

We are supportive of the enhancements made in ED-570 in relation to risk assessment procedures and the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern.

We support the proposals in the ED-570 to enhance the risk identification and assessment requirements, so that they are consistent with those set out in ISA 315 Identifying and Assessing the Risks of Material Misstatement (ISA 315). The feedback we have received indicates that these are steps that are already being included in the current audit process. We believe the clarifications proposed in the ED-570 through alignment to ISA 315 will further promote consistency in practice.

Federation of Accounting Professions of Thailand (FAPT)

Yes.

Institute of Certified Public Accountants of Uganda (ICPAU)

We believe that the proposals in the ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities to support a more robust approach in the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and enhance the procedures in ISA 315 (Revised 2019). We are appreciative of the inclusion of a description of the events or conditions that facilitate the going concern assessment in the application material.

Institute of Chartered Accountants of Sri Lanka (ICASL)

The ED-570 includes a number of new requirements and guidance that are intended to strengthen the auditor's evaluation of going concern specifically in terms of the auditor's risk assessment of material misstatements related to going concern.

Overall, the ED-570 represents a significant improvement over the current ISA 570. The new requirements and guidance are designed to help auditors to identify and assess the risks of material misstatement related to going concern more effectively. This will help to ensure that auditors are able to provide a more robust opinion on the entity's ability to continue as a going concern.

In addition to the specific requirements mentioned above, the ED-570 also takes a more holistic approach to going concern. The standard emphasizes the importance of considering going concern throughout the audit process, rather than just at the end of the audit. This is in line with the revised ISA 315, which requires auditors to identify and assess risks of material misstatement at the financial statement level, the assertion level, and the overall audit level.

Instituto Mexicano de Contadores Publicos (IMCP)

Yes, the proposed standard is based on and consistent with the ISA 315 (Revised 2019) to strengthen the identification process of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including risk assessment procedures and related activities.

Korean Institute of Certified Public Accountants (KICPA)

The ED-570 requires not only to inquire of or discuss with management but also to perform risk assessment procedures in accordance with ISA 315 (Revised 2019), supporting a more robust identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

National Board of Accountants and Auditors of Tanzania (NBAA)

Yes, ED 570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019).

Pan-African Federation of Accountants (PAFA)

ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

8. Individuals and Others

Altaf Noor Ali Chartered Accountants (ANA)

Yes. Both documents appear to be consistent.

Q06 - Agree with comments

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

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

The Committee notes the requirement to obtain an understanding of an entity's business model (paragraph 12) with guidance pointing to certain regulatory requirements. We believe that the proposed standard should also require the auditor to explicitly consider regulatory factors, as these may be relevant to an assessment of going concern. The IAASB could incorporate language on risk assessment from ISA 315, Identifying and Assessing the Risk of Material Misstatement, paragraph 19(a)(ii), which requires the auditor to perform risk assessment procedures to obtain an understanding of "industry, regulatory and other external factors".

International Forum of Independent Audit Regulators (IFIAR)

Identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern

IFIAR welcomes the IAASB's efforts to clarify that the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is made before taking into account any related mitigating factors and that events or conditions need to be considered both individually and collectively.

However, we believe that the auditor's consideration of such events or conditions would be strengthened if the language in paragraph A6 was incorporated directly into the requirement in paragraph 11.

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

The enhanced risk assessment requirements which require auditors to consider aspects of the entity and the environment more comprehensively as a basis for identifying those events and conditions which may cast significant doubt on an entity's ability to continue as a going concern.

International Organization of Securities Commissions (IOSCO)

We believe the proposed revisions to enhance the requirements of risk assessment procedures and related activities within paragraphs 11 through 15 are helpful and will assist auditors in determining the nature and extent of risk assessment procedures to be performed. Additionally, we are supportive of the Board's effort to include enhanced application guidance to reflect the auditor's use of technology in the risk assessment process and when evaluating the method, assumptions and data used by management.

As discussed in the Paper, the Board's objective was to "incorporate the key concepts, as well as the structural elements from ISA 315 (Revised 2019) related to performing risk assessment procedures to improve the relationship and integration between ISA 315 (Revised 2019) and extant ISA 570 (Revised)". It is unclear how the Board determined which key concepts from ISA 315 (Revised 2019) to incorporate into ED 570. For example, we noted the important requirements related to the information system and communication (ISA 315.25) and control activities (ISA 315.26) have not been incorporated in ED 570. We, therefore, recommend the Board reconsider whether these concepts should also be incorporated in ED 570 to supplement the broader requirements of ISA 315 (Revised 2019) or strengthen the linkage to these requirements in ISA 315 (Revised 2019).

2. Regulators and Audit Oversight Authorities

Canadian Securities Administrators Chief Accountants Committee (CAC)

Scalability

We acknowledge the IAASB has made positive steps towards addressing scalability throughout the proposed amendments. Application material in paragraph A13 of ED-570 indicates that the nature and extent of the auditor's risk assessment procedures are likely to be more extensive for entities with a complex structure and business activities in contrast to smaller or less complex entities. While we agree that the auditor's risk assessment procedures may be less complex for smaller entities, we think that application material paragraph A13 of ED-570 could be subject to the misinterpretation that less work is required for smaller entities, which are the entities that will generally have a greater likelihood of material uncertainties that cast doubt on the ability to continue as a going concern. We think the terms 'nature and extent' may be too broad in this context causing this misinterpretation. We encourage the IAASB to reconsider certain examples provided throughout the application guidance to ensure that this message is not cast.

Committee of European Auditing Oversight Bodies (CEAOB)

Risk assessment procedures

The CEAOB supports the additional detail added for risk assessment procedures targeted at the going concern assumption, described in paragraph 12 of the ED, which is further aligned with ISA 315.

Integrated approach and consideration of all the ISAs

The CEAOB raised the need to strengthen the linkage between the various ISAs to facilitate proper implementation. In this regard, the CEAOB welcomes the links with ISA 315 provisions added in paragraphs 11, 12, 14, 15 of this ED.

Further enhancements to be integrated in the requirements for risk assessment procedures

The CEAOB is of the view that the information provided in paragraph A6, regarding the fact that the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is before consideration of any related mitigating factors included in management's plans for future actions, is of such importance that it should be included in the requirements section of the standard.

Independent Regulatory Board for Auditors (IRBA)

Further strengthening of ED-570 is needed in respect of the design and performance of risk assessment procedures in order for the auditor to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, including whether a material uncertainty exists.

We agree that ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

In addition, the IRBA welcomes the IAASB's efforts to clarify that the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is made before consideration of any related mitigating factors; and that events or conditions need to be considered both individually and collectively. However, the auditor's consideration of such events or conditions would be strengthened if the language in the application material in paragraph A6 was incorporated directly into the requirement in paragraph 11 of ED-570.

Irish Auditing and Accounting Supervisory Authority (IAASA)

IAASA welcomes the links with ISA 315 added in paragraphs 11, 12, 14, 15 of the ED.

Integrated approach and consideration of all the ISAs

RECOMMENDED FURTHER ENHANCEMENTS

Further enhancements to be integrated in the requirements for risk assessment procedures

The information provided in paragraph A6, regarding the fact that the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is before consideration of any related mitigating factors included in management's plans for future actions, is of such importance that it should be included in the requirements section of the standard.

Risk assessment procedures

IAASA supports the additional detail added for risk assessment procedures targeted at the going concern assumption, described in paragraph 12 of the ED, which aligns with ISA 315.

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

At the same time, we have various concerns regarding (1) the requirements related to risk identification and assessment, and (2) scalability of certain requirements, which we believe may be at odds with principles-

based standards, may undermine auditors' professional judgment, and could hinder auditors' ability to respond to risks, or lack thereof, associated with going concern. Also, as informed by our outreach, we generally believe the "exception-based going concern reporting model" in extant ISA 570 remains preferential over the proposed changes to the auditor's report in paragraph 33 of the Exposure Draft.

We agree that ISA 315 (Revised 2019): Identifying and Assessing the Risks of Material Misstatement (ISA 315) is the appropriate foundation for risk assessment related to going concern. However, we are concerned about the proposed requirement in paragraph 11 of the Exposure Draft that the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. The wording in the Exposure Draft could be interpreted to mean that the auditor is required to perform risk assessment procedures that identify all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, which goes beyond the requirements in ISA 315 to obtain sufficient appropriate evidence.

Accordingly, we recommend that paragraph 11 of the Exposure Draft be replaced with the following wording from extant ISA 570 (Revised) paragraph 10 (additions are marked as underlined and deletions are shown in strikethrough):

11. In applying the risk assessment procedures required by ISA 315 (Revised), [FN 3 excluded] the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. ISA 315 (Revised 2019) [FN 3 excluded], the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A6–A14)

We support retaining paragraph 13 and paragraph 12(e) in the Exposure Draft.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

We see a strong overlap with ISA 315 and want to point out the 9 requirements in ISA 570.12. Also, the scope of the application material from A8 to A22 also seems excessive and there seems to be a large overlap with the general requirements of ISA 315.

The draft ISA 570.11 (even more clearly A6) requires the auditor to identify events or conditions related to going concern. According to existing ISA 570.10, this task is the responsibility of management: "...whether management has identified..."). ISA 570.14 outlines consequences when management has not identified certain risks. We suggest that the phrase „identification“ is better distinguished between the identification within the risk assessment by the auditor and the duty of the management to identify going concern risks.

We request to take over the sentence from existing A3 in the introductory sentence in draft A6 according to which the listing is not all-inclusive nor does the existence of one or more of the items always signify that a material uncertainty exists.

A7 contains examples of fraud risk factors related to significant doubt such as incentives or pressure. In our view, ISA 240 contains sufficient guidance on these topics. Alternatively, these examples should be noted for the forthcoming ISA 240 revised.

Canadian Auditing and Assurance Standards Board (AASB)

We agree that the proposed risk assessment procedures and related activities in ED-570 build on the foundational requirements in ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatements.

It is appropriate that the auditor's responsibilities relating to one of the most important aspects of an audit be more rigorous than being based primarily on inquiries.

Results of our outreach also indicate that most auditors are already performing the proposed risk assessment procedures and related activities in ED-570 currently when applying ISA 315 (Revised 2019).

Scalability considerations

Concern: The application of para. 12(g) relating to obtaining an understanding of the entity's risk assessment process may not be well understood for audits of LCEs that do not have a formal process to identify, assess and address events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

Suggest: The IAASB develop application material to provide guidance on how management's close involvement with the business operations in a LCE compensates for the lack of a formal process to identify events or conditions. This application material may leverage paragraph A113 of ISA 315 (Revised 2019) which provides guidance on risk assessment performed through the direct involvement of management or the owner-manager.

Key concept re. timing of the auditor's identification of events or conditions should be included in the main body of the ISA

Concern: Para. A6 states that the "the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is performed before consideration of any related mitigating factors included in management's plans for future actions". This statement reflects a key concept similar to the concept in paragraph 4 of ISA 315 (Revised 2019) that inherent risk is considered before consideration of controls. Similar to ISA 315 (Revised 2019), we believe that this key concept should be in the main body of the ISA instead of the application material.

Suggest: We suggest incorporating the statement into para. 11.

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

In the application material of ISA 200, through the conforming amendment to ISA 315 (Revised 2019), Paragraph A16 states that "For the purposes of the ISAs, a risk of material misstatement exists when there is a reasonable possibility of: (a) A misstatement occurring (i.e., its likelihood); and (b) Being material if it were to occur (i.e., its magnitude)".

In the revised ISA 315, the key concept is the existence of a reasonable possibility of material misstatement, which is not defined in % but is clearly less than 50%.

We wonder whether the concept of reasonable possibility is included in the definition of material uncertainty in proposed ISA 570, in which the concept of the degree of probability is used to determine whether a material fact may give rise to significant doubt; in this case, where should the probability bar be placed? with what different possible levels (highly probable, probable, improbable, etc.)?

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

Hong Kong Institute of Certified Public Accountants (HKICPA)

We fully support the IAASB's commitment to revising the standard so as to ensure it remains fit-for-purpose. We have observed that the proposed enhancements to the existing standard would promote consistent practices and behaviours, as well as facilitate effective responses to identified risks of material misstatement related to going concern.

We agree that ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to enhance the robustness of the auditor's procedures on the entity's ability to continue as a going concern.

From a drafting perspective, we suggest that the understanding covered by paragraph 12(b) and (c) of ED-570 be specific to identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This would also ensure consistency with the drafting in paragraph 12(a).

We also encourage the IAASB to issue practical guidance to ED-570 to assist implementation in practice, which would include the application of ISA 315 (Revised 2019) in assessing the entity's ability to continue as a going concern.

Japanese Institute of Certified Public Accountants (JICPA)

We agree except for the following points.

Comment on the control deficiencies within the entity's system of internal control addressed in paragraphs 15, A28, and A30

As stated in paragraph A30, "In some circumstances, however, a lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances", internal control related to management's assessment of going concern may be designed and implemented to varying degrees depending on the risks faced by the entity. For example, in the case stated in paragraph A30, "when the entity has profitable operations and there are no liquidity concerns," it can be assumed that the entity has internal controls designed that are fairly simple and proportionate to the risks faced by the entity. Specifically, rather than an assessment that includes a detailed quantitative analysis, a qualitative assessment of whether or not there are events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, or an assessment of business risks, may be considered to be a sufficient control. It should be clarified that such simplified internal control that is proportionate to the risks does not fall under paragraph A28, "absence of a process established by management" or paragraph A30, "in situations when, in the auditor's professional judgment, management has not performed an appropriate assessment, this may be an indicator of a deficiency in internal control in accordance with ISA 265". For example, to avoid misunderstanding, the phrase "proportionate to the risks" could be added to paragraphs A28 and A30 to state, "absence of a process proportionate to the risks established by management..." (in paragraph A28) and "...management has not performed an appropriate assessment proportionate to the risks, this may..." (in paragraph A30).

Comment on paragraph A9

The last sentence of paragraph A9 states with respect to risk assessment procedures that "the auditor uses professional judgment to determine the nature and extent of the risk assessment procedures" and does not

mention “timing”. However, the third sentence of paragraph A9 mentions that the identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern through the risk assessment procedures allow for more timely discussions with management regarding management’s plans for future actions and resolution of any identified going concern issues. Therefore, the auditor’s exercise of professional judgment with respect to risk assessment procedures would apply not only to the nature and extent of the risk assessment procedures, but also to the timing of the risk assessment procedures. Based on the above, we propose to add “timing” to the last sentence of paragraph A9 to state, “determine the nature, timing and extent of the risk assessment procedure”.

Royal Dutch Institute of Chartered Accountants (NBA)

We note that the requirement that auditors become responsible for obtaining sufficient appropriate audit evidence to identify events and conditions that may cast significant doubt about the entity’s ability to continue as a going concern and must publicly report on this, is a major change. We reiterate that this is primarily management’s responsibility, and that the auditor should primarily assess whether management has properly identified and, where relevant, reported on such events and circumstances.

As noted before, in our view, the primary role of the auditor is and should remain to audit and opine on information provided by management. We disagree with the proposed requirements that ask auditors to report on going concern where there are no requirements for management to do so, except for the rare case where such reporting would be necessary as the basis for a modification to the auditor’s opinion.

While we are generally comfortable with how the ED-570 expands on ISA315, we are concerned that the level of detail in letters (a) up to and including (l) of the proposed standard will be considered as separate requirements for each of which a separate consideration and documentation would be expected. We suggest to move the lettered items to the Application Material, and to limit the requirement to consideration of The Entity and its Environment, The Applicable Financial Reporting Framework, and The Entity’s System of Internal Control.

Additionally, we think it would be helpful if the standard would explain whether these are financial statement level risks, or assertion level risks.

With respect to the related application material, specifically paragraph A18, we suggest to clarify that inquiry alone would not be sufficient to determine the basis for management’s continued use of the going concern assumption.

We observe that an entity’s going concern is increasingly dependent on the continued operation of IT systems. We therefore suggest to include in paragraph A15 the notion that the use and complexity of IT may result in business risks that may result in events or conditions affecting the entity’s ability to continue as a going concern. This may include amongst others aspects such as cybersecurity, IT maintenance, backup and recovery, availability of data, etc.

4. Accounting Firms

BDO International (BDO)

In our view, ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019). However, ED-570 does not provide a clear link between the relationship of the design and performance of risk assessment procedures (paragraph 11) and the design and performance of audit procedures (paragraph 17). We would appreciate clarity in ED-570 regarding this matter and acknowledge avoiding repetition of material already in ISA 315 (Revised 2019), but we do believe this is a key concept that

requires clarification. We also mention the disconnect in the relationship between ISA 315 (Revised 2019) and ED-570 in question 8.

Additionally, we are concerned that if the auditor identifies events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the current ED-570 does not have any specific risk-related requirement(s) including the consideration of the assessed risks related to going concern or guidance with examples as to how auditors respond to the risk of material misstatement arising from these identified events or conditions.

Crowe LLP (CROWE LLP)

A: We appreciate the importance of risk assessment in the audit, including assessing the risk of material misstatement in the financial statements related to going concern. However, we believe paragraph 11 in the Proposed Standard drives the auditor to perform further risk assessment procedures, specifically related to the completeness of management's identification of events and conditions related to going concern, which may not be commensurate with the auditor's overall risk assessment related to going concern (performed in accordance with ISA 315 (Revised 2019)). We recommend the wording from extant ISA 570 (Revised) paragraph 10 be retained in place of proposed paragraph 11. Extant paragraph 10 requires the auditor to "consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern."

Deloitte Touche Tohmatsu Limited (DTTL)

We also support the increased focus on risk assessment in the proposed standard, including new requirements in paragraph 12 that describe specific risk assessment procedures to be performed that focus on the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

We support the increased focus on risk assessment in the proposed standard, especially the addition of the requirements in paragraph 12, which describe specific risk assessment procedures to be performed that focus on the identification of events or conditions that may cast significant doubt. However, paragraph 11 as drafted could be interpreted as requiring the auditor's risk assessment procedures to identify "all events or conditions that may cast significant doubt on the entity's ability to continue as a going concern," – which would not be possible. We recommend revising paragraph 11 as follows:

11. In applying ISA 315 (Revised 2019), the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of When designing and performing risk assessment procedures as required by ISA 315 (Revised 2019) and paragraph 12, the auditor shall consider whether audit evidence obtained indicates that events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.

Ernst & Young Global Limited (EY)

Our other substantive concerns with ED-570 include:

We do not believe the standard sufficiently acknowledges the analysis and judgment needed by the auditor to identify events and conditions that may cast significant doubt. We believe, for consistency with ISA 315 (Revised 2019), that the auditor needs to apply an appropriate analysis to events and conditions identified through risk assessment procedures and think about them through the lens of which events and conditions could be relevant to going concern in order for the auditor to properly identify the "events and conditions that may cast significant doubt on the entity's ability to continue as a going concern". However, we don't believe

this analysis is clear in paragraph 11 (or in the related application material) of ED-570. (Refer to our response to Q6).

Generally, we believe that ED-570 appropriately builds on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities. We believe the proposed revisions improve the relationship and integration with ISA 315 (Revised 2019).

However, we have concerns that ED-570 has inappropriately narrowed the scope of events and conditions the auditor is required to identify to only those that the auditor is certain will occur and therefore require remedial actions (refer also to our response to Q5).

In addition to our concern about the definition of “may cast significant doubt”, we also do not believe that the standard sufficiently acknowledges the analysis and judgment needed by the auditor to identify events and conditions that may cast significant doubt. For consistency with ISA 315 (Revised 2019), we believe the auditor needs to apply an appropriate analysis to events and conditions identified through risk assessment procedures and think about them through the lens of which events and conditions could be relevant to going concern (including different scenarios or combinations of the identified events and conditions), in order for the auditor to properly identify the events and conditions that may (either individually or in some combination) cast significant doubt on the entity’s ability to continue as a going concern.

We acknowledge that paragraph A6 of ED-570 states that “some events or conditions may not be significant when considered individually, however when considered collectively with other events or conditions they may cast significant doubt on the entity’s ability to continue as a going concern.” However, we don’t believe this analysis is clear in paragraph 11, or the related application material, of ED-570.

To summarize, we believe that the auditor needs to perform a two-step analysis:

First, as part of the risk assessment process, identify and accumulate events and conditions that are relevant to the assessment of the entity’s ability to continue as a going concern.

Second, evaluate the identified events and conditions and determine whether the individual or collective magnitude is such that the entity “would be unable to meet its obligations and continue its operations for the foreseeable future unless management takes remedial actions to mitigate the effects of these events or conditions”.

We also believe that paragraph A6 of ED-570 could be enhanced to acknowledge that the auditor may identify events and conditions relevant to going concern for evaluation and then may conclude that there is no individual or collective effect on the entity’s ability to continue as a going concern (i.e., the auditor concludes there are no events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern).

We also suggest that the IAASB consider adding application material to clarify the documentation expectations related to this requirement. We believe documentation consistent with ISA 315 (Revised) paragraph 38(d) is appropriate (i.e., documenting the identified events and conditions that may cast significant doubt on the entity’s ability to continue as a going concern and the rationale for the significant judgments made in their identification).

Grant Thornton International Limited (GT)

We are of the view that the proposed requirements in ED-570 that build on the foundational requirements in ISA 315 (Revised 2019) are appropriately tailored to how risk assessment procedures are applied to going concern in an audit. Although we believe that these requirements are somewhat duplicative of ISA 315

(Revised 2019) and largely reflective of risk assessment procedures in relation to going to concern that are currently performed by auditors, specific requirements may help to promote consistency across different jurisdictions and firms.

KPMG International Limited (KPMG)

We are generally supportive of the changes made in respect of risk assessment procedures and related activities, as the new and enhanced material more closely aligns with ISA 315 (Revised) as the foundational standard addressing risk identification and assessment. We believe that these changes, both structural, and in terms of enhanced content incorporating key elements and concepts from ISA 315 (Revised), will help to reinforce and embed the concepts in ISA 315 (Revised) and support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, i.e. to apply a 'going concern lens' to risk identification and assessment procedures. This will, in turn, also support a more robust evaluation of management's assessment of going concern, as required by paragraph 17. We also believe that the inclusion of the risk identification section upfront in the ED will help to clarify that the identification of events or conditions is made on a gross basis, i.e., before the consideration of mitigating factors.

We welcome the modernisation of the examples of identification of events or conditions in the application material (e.g., with greater references to external information, as well as data and analytics tools), and the clear link to fraud risk factors that may arise from events or conditions, at A7. We are also supportive of the requirements, including those at paragraph 11 and 12, and the related application material, which require the auditor to take a more robust approach and perform specific risk assessment procedures as a basis for identifying events or conditions (with application material at A11 providing examples of these) rather than the focus in the extant standard on inquiry and discussion, to determine whether management has identified events or conditions. We consider that this leads appropriately into the new requirements, at paragraphs 14 and 15, which require the auditor to determine whether the audit evidence obtained from risk assessment procedures indicates the existence of events or conditions that management has not previously identified, and to determine whether there are control deficiencies in respect of management's assessment of going concern (which triggers clear communication requirements with TCWG).

We also support the clarification that the identification and consideration of events and conditions is on a gross basis, i.e., prior to the consideration of mitigating factors, and that this enhancement, together with enhancements that drive more robust procedures to identify events or conditions, and a more robust evaluation of management's assessment, will drive audit quality in this area.

However, whilst we are supportive of the above enhancements, we also note several concerns below.

We highlight that the identification of events and conditions involves consideration of prospective financial information e.g., in respect of cash flows, methods, assumptions and data and business models, as well as the fact that certain of the illustrative events and conditions at paragraph A6 appear to contain embedded consideration of potential mitigating factors, e.g., fixed-term borrowings approaching maturity without realistic prospects of renewal or repayment. We believe that this is likely because of the iterative nature of an audit, however, this approach may undermine the intention to identify events and conditions on a gross basis, as forecasts and budgets, or consideration of renewal/repayment prospects would necessarily factor in management's plans and their effects, in terms of their potential to mitigate such events/conditions, on cash flows and liquidity. We recommend that the ED clarify that the understanding of these measures is intended to be relatively 'high level', with the purpose of identifying potential events or conditions but not to consider mitigating factors in more detail at this point.

We also highlight that the proposed changes to the standard may create challenges for auditors of smaller and less complex entities, in particular. Whilst the application material, e.g. at paragraph A9, clarifies that the auditor uses professional judgement to determine the nature and extent of procedures to be performed, we note that the granularity of the required procedures, including those with a focus on prospective financial information and the evaluation of management's assessment, may be challenging in circumstances in which an entity has limited/less formal financial planning, analysis and forecast processes, and the governance structure is relatively simple. Paragraph A18 appears to acknowledge this as it states that "the nature, extent, timing and frequency of management's assessment may vary from entity to entity", however, the examples then focus on frequency, rather than nature and extent of assessment.

We recommend that the application material clarify that/focus on:

management is required to make an assessment but the nature and extent of this assessment may vary according to the size and complexity of the entity;

the entity's circumstances, e.g. when an appropriate process has been undertaken to identify events and conditions that may cast doubt on the entity's ability to continue as a going concern and no such events or conditions have been identified, management's assessment may be less detailed;

for smaller and less complex entities, it may still be appropriate for the auditor's risk identification procedures to be primarily inquiry and discussion-based, drawing on in-depth knowledge and experience of key individual(s). We suggest that an example of such a scenario be included in the application material.

We also recommend that the requirements for the auditor to evaluate management's assessment (at paragraph 17-19), and the requirement at paragraph 15, for the auditor to determine whether one or more control deficiencies in respect of management's assessment have been identified, explicitly focus on auditor evaluation as to whether the assessment is appropriate/proportional to the size and nature of the entity, and its circumstances. We also note that this would be better aligned with ISA 315 (Revised), which requires the auditor to understand the components of the entity's control environment and evaluate these as to whether these are appropriate, and with the risk-based nature of an audit.

Furthermore, we highlight that the judgement as to whether matters would rise to the level of an "event or condition that may cast significant doubt on an entity's ability to continue as a going concern" requires significant exercise of professional judgment, by both management, in making their assessment, and by the auditor, in evaluating this. We recommend that the ED provide more guidance as to the factors to consider in making this judgement, in particular, to recognise that this judgement is made on a gross basis without considering mitigating factors. We recommend that the guidance focus on considerations of the likelihood and magnitude of the event or condition as to whether this raises 'significant' doubt, in a similar way to the spectrum of inherent risk in ISA 315 (Revised).

We support the proposed changes that 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.

MNP LLP (MNP)

Yes, ED-570 does build on the foundational requirements of ISA 315 to support a more robust identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. However, some of the contents overlap and appear in both standards ISA 315 & ED-570. For example, ED-570 Paragraph A15 is very similar to ISA 315 Paragraph A64.

PriceWaterhouseCoopers (PwC)

In our view, the changes proposed in paragraph 12 of ED-570 to build on the foundational requirements in ISA 315 (Revised 2019) are reasonable and emphasise the going concern aspects of the auditor's understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control. Such an understanding should provide a robust basis for evaluating whether there are events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

In particular, we support the enhanced focus on understanding how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern, consistent with our comments on the need for complementary responsibilities across all parties to the ecosystem. Such two-way communication may help inform the auditor about potential areas of focus in evaluating management's assessment.

While we support the proposed revisions to paragraph 12 of the standard, with respect to the matters about which the auditor obtains an understanding to inform the auditor's consideration of whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern, we believe there is a significant flaw in the drafting of proposed paragraph 11 of the standard.

Management has the primary responsibility, in complying with the applicable financial reporting framework, for identifying and assessing events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We agree that, based on the auditor's understanding of the entity, its environment and the system of internal control, the auditor evaluates whether any events or conditions have been identified in addition to those identified by management. However, the language in paragraph 11 imposes an obligation on the auditor to design and perform risk assessment procedures that provide an appropriate basis to identify events or conditions. This implies an independent identification and assessment of events or conditions by the auditor, blurring the respective responsibilities of management and the auditor.

As the IAASB's 2019 discussion paper and outreach previously concluded, an auditor cannot predict the future, nor has the same level of knowledge about the entity as management. Even assuming a robust understanding, obtained in accordance with ISA 315 (Revised 2019), we are concerned that absent any clear context or boundaries for the auditor's understanding and documentation, "an appropriate basis" is subject to differing interpretations and is open-ended. Specifically, should an event or condition arise that was not previously identified by management, we believe auditors may be exposed to unfair challenge that their work was somehow deficient and, consequently, not "an appropriate basis", when it may not have been realistic for the auditor to have reasonably identified such an event or condition in the absence of relevant information from management or those charged with governance.

We believe the similar requirement in the United Kingdom version of ISA 570 (ISA (UK) 570 (Revised September 2019) paragraph 10-1) is drafted in a more appropriate manner, as it anchors the obligation to identify events or conditions to the auditor's understanding of the entity, its environment, applicable financial

reporting framework and the entity's system of internal control obtained in accordance with paragraph 10-2 of that standard. There is therefore not an open-ended requirement as set out in proposed paragraph 11. We recommend that the Board align paragraph 11 with paragraph 10-1 of the UK standard.

Specific observations on key proposed revisions

Identifying events or conditions

While we support the proposed revisions with respect to the matters about which the auditor obtains an understanding to inform the auditor's consideration of whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern, we believe there is a significant flaw in the drafting of proposed paragraph 11 of the standard.

Management has the primary responsibility, in complying with the applicable financial reporting framework, for identifying and assessing events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We agree that, based on the auditor's understanding of the entity, its environment and the system of internal control, the auditor evaluates whether any events or conditions have been identified in addition to those identified by management. However, the language in paragraph 11 imposes an obligation on the auditor to design and perform risk assessment procedures that provide an appropriate basis to identify events or conditions. This implies an independent identification and assessment of events or conditions by the auditor, blurring the respective responsibilities of management and the auditor.

As the IAASB's 2019 discussion paper and outreach previously concluded, an auditor cannot predict the future, nor has the same level of knowledge about the entity as management. Even assuming a robust understanding, obtained in accordance with ISA 315 (Revised 2019), we are concerned that absent any clear context or boundaries for the auditor's understanding and documentation, "an appropriate basis" is subject to differing interpretations and is open-ended. Specifically, should an event or condition arise that was not previously identified by management, we believe auditors may be exposed to unfair challenge that their work was somehow deficient and, consequently, not "an appropriate basis", when it may not have been realistic for the auditor to have reasonably identified such an event or condition in the absence of relevant information from management or those charged with governance.

We believe the similar requirement in the United Kingdom version of ISA 570 (ISA (UK) 570 (Revised September 2019) paragraph 10-1) is drafted in a more appropriate manner, as it anchors the obligation to identify events or conditions to the auditor's understanding of the entity, its environment, applicable financial reporting framework and the entity's system of internal control obtained in accordance with paragraph 10-2 of that standard. There is therefore not an open-ended requirement as set out in proposed paragraph 11. We recommend that the Board align paragraph 11 with paragraph 10-1 of the UK standard as described in our response to question 6 in Appendix 1 to this letter.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

In this sense, we welcome the IAASB's proposals enhancing auditors':

risk assessment adaptability and agility

ISA 315 is about obtaining an understanding of the entity and performing risk assessment procedures as a basis for the audit. Risks related to going concern, among other risks, need to be addressed throughout the

audit. Requirements of the ISA 315 do not need to be repeated in the ED ISA 570 since ISAs should be considered as a single set of professional standards.

In addition, we are concerned with the level of detail in paragraph 12. Each of the items listed (a-i) in this paragraph might be considered as a separate requirement and thus a separate consideration and documentation could be expected from auditors irrespective of the engagement circumstances. ED ISA 570 should refer to the understanding required by ISA 315 and explain how that understanding may help the auditor in identifying and assessing risks related going concern.

Finally, paragraph 11 of the proposed standard requires the auditor to design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. This is primarily management's responsibility, and the auditors should be required to assess whether management has properly identified and, where relevant, reported on such events and circumstances. Accordingly, the risk assessment procedures in ISA 315 are supposed to be designed to provide an appropriate basis for the auditor's risk identification and assessment – which in the context of going concern, means to support the auditor's identification and assessment of risks of material misstatement due to management not having identified such events or conditions. Paragraph 11 therefore needs to be revised to properly reflect auditor responsibilities and to align with ISA 315. Furthermore, as pointed out below, paragraph 24 also requires revision in this regard.

We observe that an entity's going concern is increasingly dependent on the continued operation of its information technology (IT) systems. We therefore suggest including in paragraph A15 the notion that IT-related risks may lead to business risks that may result in events or conditions affecting the entity's ability to continue as a going concern. Relevant application material should also be added to provide examples of IT-related events and conditions which might constitute material uncertainty.

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

In summary, we feel that the proposed standard;

should require the team discussion undertaken as part of the risk assessment process to specifically focus on events or conditions that may give rise to a material uncertainty (see our response to Question 6),

We believe that there is an opportunity to include a requirement that the team discussion specifically focus on events or conditions that may give rise to a material uncertainty about going concern (similar to the way ISA240 requires the team discussion to specifically address fraud).

ISA315 paragraph 17 requires an engagement team discussion of the application of the applicable financial reporting framework and the susceptibility of the entity's financial report to material misstatement. ISA240, paragraph 16 further requires this discussion shall place particular emphasis on how and where the entity's financial report may be susceptible to material misstatement due to fraud. One of the benefits of team discussions / brainstorming is the pooling of many individuals' ideas and to generate additional ideas via cognitive stimulation (e.g., Trotman et al. 2015). Encouragingly, research highlights the benefits of discussion / brainstorming in a fraud setting (e.g., Carpenter 2007; Hoffman and Zimbelman 2009; Brazel et al. 2010; Dennis and Johnstone 2016).

We believe that the going concern setting would similarly benefit from a team discussion in that it may result in the identification of more potential events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and lead to more effective responses to these potential events or conditions. In a going concern setting, Soel (2006) shows that interacting groups have better going concern

problem representation and are more focussed on relationships between information rather than the information itself.

We encourage the IAASB to consider including a requirement in the proposed standard to ensure that the audit team discussion place particular emphasis on events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

ASEAN Federation of Accountants (AFA)

Risk assessment procedures and related activities [Q6]

We believe the proposals to enhance the requirements of risk assessment procedures and related activities within paragraphs 11 through 15 of ED ISA 570 are useful for auditors to determine the nature and extent of risk assessment procedures to be performed.

With reference to paragraph 11 of ED ISA 570. We would appreciate more clarity on the expected appropriate level of audit evidence that auditors are expected to obtain as part of risk assessment. In addition, paragraph 12 which follows generally only focuses on "obtaining an understanding" as part of the risk assessment process. If it were expected to be sufficient appropriate audit evidence, we would be concerned that there is no defined guidance or threshold on what is considered sufficient for such procedures and therefore, there is a risk of inconsistent application as part of the risk assessment process.

Center for Audit Quality (CAQ)

We support the focus on risk assessment in ED-570 and believe that the auditor's risk assessment should inform the nature and extent of audit procedures to be performed in evaluating management's assessment of the entity's ability to continue as a going concern. However, the requirement as proposed in the Exposure Draft goes beyond the concepts in ISA 315 (Revised) and could be interpreted as requiring the performance of additional risk assessment procedures to identify all possible events or conditions that may exist. As described above, management has the primary responsibility for identifying events and conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with the applicable financial reporting framework.

As proposed, paragraph 11 could be interpreted to imply that the auditor has a responsibility to independently identify and assess all events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. We believe that ED-570 should be clear that the auditor performs the procedures outlined in paragraphs 12 - 15 for the purpose of risk assessment, not for the purpose of identifying all possible events and conditions.

Accordingly, we recommend that paragraph 11 be revised to retain the following wording from extant ISA 570 (Revised) paragraph 10 (additions are marked as underlined):

11. When performing risk assessment procedures as required by ISA 315 (Revised), [FN 3 excluded] the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern. In applying ISA 315 (Revised 2019) [FN 3 excluded], the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. (Ref: Para. A6–A14)

European Federation of Accountants and Auditors for SMEs (EFEAA)

Yes, to some extent.

We express above our concern at the proposed language of paragraphs 11 and 33(a)(ii) since it implies 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. We believe, to be compatible with ISA 315 (Revised 2019) the auditor should be required to perform procedures to identify the risk(s) of material misstatement associated with going concern issues. The responsibility to perform an identification of all such events and conditions is the responsibility assigned to management as part of its preparation of financial statements.

We agree with the principles of the foundational requirements. However, some of the areas flagged in paragraph 12 may be less relevant for smaller entities, so could create a challenge for SMPs. While the examples of scalability given in paragraph A13 are welcome, they fail to recognize that in many private owned entities owners are managers, and there are few staff, so they do not necessarily have the capability or need to develop formal, complex strategies, objectives and forecasts, budgeting, and cash flow information that the proposals envision. As such these SMEs look to their principal advisers, often SMPs, for help. This presents the risk of auditing their own work. The lack of formal forward-looking procedures in many SMEs does not necessarily give rise to going concern issues. For many SMEs the detailed considerations listed, in the absence of proportionality, would add little value and may even be misleading if the information available is imprecise or of poor quality.

Institute of Chartered Accountants in England and Wales (ICAEW)

Paragraph 11 of ED-570 includes a requirement that “the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern”. What constitutes “an appropriate basis” is highly subjective and likely to be subject to differing interpretations by auditors in the absence of any clear context or boundaries for the auditor's understanding and documentation. As currently written, this paragraph creates an open-ended requirement that blurs the respective roles of management and the auditor for the identification of events or conditions.

If an event or condition should arise that was not previously identified by management, we believe that, with hindsight bias, the auditor may be challenged that their work did not constitute “an appropriate basis”, when it may not have been reasonably foreseeable for the auditor to have identified such an event or condition in the absence of relevant information from management or those charged with governance. We believe that paragraph 10-1 of ISA (UK) 570 which is more specific regarding the risk assessment procedures that the auditor is expected to perform is more reasonable, and we recommend that the IAASB aligns the language it uses with this.

Institute of Chartered Accountants of Scotland (ICAS)

We are supportive of the substance of introducing a more robust identification by the auditor of events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. We do, however, believe that the proposed revision could be improved with respect to specificity and clarity by utilising the extant wording in ISA (UK) 570 rather than what is proposed in ED-570. The extant UK text states:

“10-1. When obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control as required by ISA (UK) 315 (Revised July 2020),³ the auditor shall design and perform risk assessment procedures to obtain an understanding of the matters in paragraph 10-2 that provides an appropriate basis for the identification of: (Ref: Para. A3-16–A4.2, A5)

(a) Events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern; and (Ref: Para. A3–A3-1)

(b) Whether or not a material uncertainty related to going concern exists.

Institute of Singapore Chartered Accountants (ISCA)

Given that going concern is driven by factors such as business model, market conditions, ability to obtain financing etc, the risk assessment process is critical in the identification of events or conditions that lead to MUGC. Hence, the stronger linkage to ISA 315 (Revised 2019), which strengthens risk assessment procedures, is a good development.

However, this may imply a shift in perceived responsibility – the auditor evaluates management's assessment of the entity's ability to continue as a going concern, with management having responsibility to identify and assess events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Placing an obligation on the auditor to, effectively, form a view on the existence of events or conditions independently from management may be viewed as a reasonable expectation of an independent audit, but may create additional legal exposure for auditors.

Furthermore, in the absence of a formal process for conducting the going concern assessment by management, identifying going concern indicators may prove challenging for auditors when management does not furnish the necessary information. This is especially so since management possesses intimate knowledge of the entity's operations and industry developments.

Instituto de Auditoria Independente do Brasil (IBRACON)

Yes, however we believe more guidance is needed about how to respond to the risk when events or conditions that may cast significant doubt on the entity's ability to continue as a going concern having been identified.

Malaysian Institute of Accountants (MIA)

Yes. We support the proposal by the IAASB that ISA 570 (Revised 202X) be supplemented with the recently revised ISA 315 (Revised 2019) by mirroring the structure of requirements from the standard and being more explicit about the matters the auditor is required to obtain an understanding of in fulfilling the ISA 315 requirements. We note that the IAASB has also made the following enhancement that is beneficial for auditors:

Obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control (ED570.12).

Enhanced and modernised examples of identified events or conditions that that may cast significant doubt on the entity's ability to continue as a going concern (ED570.A6).

We support the proposal for better linkage (and more explicit about the matters that the auditor is required to obtain an understanding of in fulfilling those ISA315 requirements) of risk assessment procedures in respect of going concern with the auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control to identify events and conditions that may indicate a going concern issue (ED540.12) that will align with the work already being covered by the ISA 315 (Revised 2019).

We also welcome the following as part of the risk assessment process:

Attention given to understand the key business risks that might call into question the entity's ability to continue as a going concern, in particular the requirement to understand how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern (ED570.12) We suggest additional application material be included describing the importance of appropriate firm-level quality management policies and procedures in supporting the work performed by engagement teams in relation to considering risks relating to going concern and the design and performance of appropriate procedures to respond to assessed risks.

Expansion of "stand back" requirement to consider all audit evidence obtained, corroborative and contradictory at the risk assessment stage (ED570.A10)

However, we would like to draw attention and seek clarification on the following matters:

In accordance with ED570.11, the auditor is now required to "design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

We would appreciate more clarity on the appropriate level of audit evidence that the IAASB is expecting auditors to obtain as part of risk assessment. The paragraph (i.e. ED570.12) which follow, generally only focuses on "obtaining an understanding" as part of the risk assessment process. If there is expectation that there be sufficient appropriate audit evidence, we would be concerned that there is no defined guidance or threshold for what is considered to be sufficient for such procedures and therefore, there is a risk of inconsistent application as part of risk assessment process.

We suggest that the IAASB refine the wordings on this particular requirement in order to avoid confusion as to the expectation on the auditors to whether only focus on obtaining an understanding or to also obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

In addition, ED570.11 does not address scalability, in particular, to provide examples to demonstrate how the nature and extent of the auditor's risk assessment may vary based on the nature and circumstances of the entity. This includes for example:

both the management and auditor concur there was no risk of material misstatement in relation to going concern identified;

both the management and auditor concur there was risk of material misstatement in relation to going concern identified;

although the auditor assessed and concluded that there was risk of material misstatement arising from going concern, management does not agree with the auditor's assessment and vice versa.

ED570 may not sufficiently acknowledge the analysis and judgment needed by the auditors to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Our suggestion is for the IAASB to consider enhancing the wordings of ED570.A6 in order to acknowledge that the auditors may consider additional qualitative and quantitative considerations in identifying events and conditions relevant to going concern for evaluation and conclude that there is no individual and collective events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In addition, it would be helpful to add application material to clarify the documentation expectation for this requirement.

Malaysian Institute of Certified Public Accountants (MICPA)

Pursuant to Paragraph 11 of the ED-570, we are of the view that the risk assessment procedures should be used to identify the risk that management has not performed an appropriate assessment of going concern. The objective should not be for auditors to identify events or conditions that may cast significant doubt on the entity's ability to continue as going concern.

Nordic Federation of Public Accountants (NRF)

As an overarching comment we have some concerns with the proposals regarding the auditor's expected role in identifying risks related to going concern. Both the Explanatory Memorandum and ED-570 include many references to the auditor either identifying material uncertainties or identifying events and or conditions.

A robust corporate reporting system requires collaboration between all participants. In our view this is particularly prominent when dealing with future-oriented information. The auditor's role is to test the reliability of management's assessment and the assumptions used. However, there is a risk that this way of drafting gives the impression that the auditor's work in this regard is detached from what management is expected to do. This could imply a shift in the division of roles and responsibilities between the auditor and management that might cause unintended unclarity and create new expectation gaps.

We believe that in situations where there are risks related to going concern the requirements regarding enhancing the risk assessment procedures, considering the wider context in evaluating management's assessment and some of the transparency proposals could be helpful. That is why we would have preferred more targeted and risk-based requirements, i.e., strengthening the requirements in risk situations where the added work effort would make a difference and add value to the stakeholders while allowing less rigorous requirements when dealing with low-risk situations.

We support the objective of the project in terms of incorporating a stronger focus on risk assessment procedures, but we suggest that the requirements in paragraph 12 would rather be application material to paragraph 11. Also, the application material, paragraph A9, includes as a final sentence: "The auditor uses professional judgment to determine the nature and extent of the risk assessment procedures to be performed to meet the requirements of this ISA", and we would prefer this general statement to have a more prominent position, i.e., in the requirements.

In terms of a more robust risk identification by the auditor, we are concerned that the drafting of the requirement might cause confusion in terms of the division of roles between the auditor and management. The auditor's role is to test the reliability of management's assessment and the assumptions used. The drafting of the requirement seems to imply that the auditor's role in identifying events and conditions has been detached from what management is supposed to do. See also our response to Q16.

We notice a trend amongst the latest IAASB projects of including many references to other standards and we are concerned of the repetitiveness this approach includes, e.g., in terms of the lengths of the revised standards but also the extra work that is caused by the frequency of conforming and consequential amendments to other ISAs.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

The proposals in ED-570 appropriately serve the objective of maintaining overall coherent auditing standards since they consistently leverage the content of ISA 315 (Revised), specifically those related to the identification and assessment of risks related to going concern. We support the approach used in ED-570 that builds up and provides cross-references to the materials in ISA 315 (Revised) to show in essence that

requirements introduced in ED-570 are actually part of the application of ISA 315 (Revised) requirements with concentration on matters of going concern. Additionally, we support the IAASB's decision to go beyond cross-referencing ISA 315 (Revised), and devote certain paragraphs (e.g., para. 12 and related application materials) to explaining risk assessment procedures in relation to going concern matters, such as the procedures to understand the entity, its environment, the applicable financial reporting framework, and its system of internal control. However, we should refer to our earlier comment in the answer to question 2, where we expressed our concern about the use of long lists of examples (e.g., A.6 & A.11) in the ED's-570 proposals since such practice may reinforce the checklist mentality. We understand that comprehensive examples should increase clarity, but such an approach has its limitations, which should be considered. Accordingly, we also refer to our earlier comment in the answer to question 4, since ISA 315 (Revisited) reinforces the adoption of a neutral stance when designing and performing risk assessment procedures in terms of approaching the types of audit evidence (e.g., A.10). We maintain our belief that the drafting of ED-570 should rely more on "presumptive doubt," which has been used in ISA 240, in order to encourage a better practice of professional skepticism because the audit of going concern matters substantially involves assessing the risk that the management's judgment about the existence of material uncertainty may be biased.

South African Institute of Chartered Accountants (SAICA)

We agree with the manner in which ED-570 has incorporated the foundational requirements of ISA 315 (Revised 2019). We also agree with the incremental risk assessment procedures which are proposed in ED-570.

We are however of the view that the guidance currently contained in the first sentence of paragraph A6 "The auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is before consideration of any related mitigating factors included in management's plans for future actions." should be elevated to the main text of the standard.

Q06 - Disagree

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Evaluation of management's Assessment of Going Concern

The AUASB supports the IAASB's objective to strengthen the auditor's evaluation of management's assessment of going concern. However, the proposals in ED-570 are not consistent with ISA 315 and ISA 330 as it requires the performance of procedures where there is no risk of material misstatement despite application guidance to the contrary. We consider that the requirements in ED-570 should articulate the extent of work effort required by the auditor in circumstances where the entity has not prepared a detailed assessment of going concern, and in instances where the entity is clearly a going concern. Refer to our responses to Question 3 and Question 8 in Attachment 1 below for further details.

Risk assessment procedures form the basis of the auditor's assessment of going concern risks and the AUASB supports ED-570 being aligned to ISA 315 (Revised) to assist auditors in determining the nature and extent of risk assessment procedures to be performed. However, we are of the view that the proposals in ED-570 are not consistent with ISA 315 and ISA 330 as it requires the performance of procedures where there is no risk of material misstatement. Refer to question 8 for further details.

Similar to ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report, consider including in ED-570 a requirement for a discussion among the engagement team about whether

there are events or conditions which may cast significant doubt on the entity's ability to continue as a going concern.

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

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

The treatment of auditor work effort, including risk assessment procedures, does not appear to align with the risk assessment – risk response paradigm in ISA 315 (Revised 2019) and ISA 330. As a result, there appears to be some blurring of management and auditor responsibilities.

While we believe that much of the material in the requirement in paragraph 12 and in the related application material will improve auditors' work in relation to the identification and assessment of risks of material misstatement relating to going concern matters, we do not believe that paragraph 11 and a part of paragraph 12, and the related application material to both requirements, appropriately build on the foundational requirements in ISA 315 (Revised 2019) and ISA 330, because these paragraphs and the subsequent paragraphs relating to evaluating management's assessment do not appropriately reflect the risk assessment – risk response paradigm as set forth in those standards. We also note that the non-reporting parts of the extant ISA 570 have not been fundamentally revised since 1999, since the revision of ISA 570 as part of the auditor reporting project focused on clarifying reporting matters. We have the impression that, in part, the draft retains the structure and direction of extant ISA 570 with respect to non-reporting matters even though they are not completely aligned with current ISAs 315 and 330.

Our primary concern in this regard is the potential confusion between the responsibilities of management and of the auditor, and in particular in this light, what management's assessment needs to entail. The entire section on the auditor's evaluation of management's assessment (paragraphs 16 to 19 and A9 to A38) appears to be focused on the methods, assumptions and data used in management's assessment, rather than recognizing that the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is a key aspect of management's assessment prior management's use of a method and of assumptions and data. In this vein, the requirement in paragraph 12 (g) correctly notes that the identification, assessment of, and response ("addressing") by management to, business risks relating to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern is a part of the entity's risk assessment process, which in fact represents "management's assessment of the entity's ability to continue as a going concern". The reference to 1. identification and 2. Assessment of, and 3. response ("addressing") to, such business risks indicates that management's assessment (that is, its risk assessment process regarding business risks in relation to going concern) covers: the identification of such events or conditions, 2. the use of a method, and of the assumptions and data to assess the business risks associated with those events or conditions, and 3. management's plan for future action in relation for those assessed risks.

For this reason, the focus in paragraph 11 on providing a foundation for the auditor's identification of such events or conditions appears to suggest that this is the auditor's sole responsibility rather than initially being the responsibility of management as part of its assessment. Furthermore, this implies that paragraph 11 is not aligned with the risk assessment – risk response paradigm in current ISAs 315 and 330. In line with ISAs 315 and 330, paragraph 11 should be focused on providing an appropriate basis for the identification and assessment of material misstatements due to going concern issues and the design of further procedures to respond to such risks. Furthermore, if no such events or conditions are identified, it does not make sense to perform risk assessment procedures regarding the other aspects of management's

assessment. To this effect, we believe that the requirement in paragraph 11 (and perhaps an additional paragraph as shown) ought to be written along the following lines:

“In applying ISA 315 (Revised 2019), the auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for:

- (a) The identification and assessment of risks of material misstatement in relation the assertions in the financial statements regarding going concern, including the identification and assessment of those risks of material misstatement
 - (i) Resulting from an inappropriate management’s assessment of the entity’s ability to continue as a going concern, and
 - (ii) Resulting from inappropriate use of the going concern basis of accounting or from inadequate disclosures in relation to going concern, and
- (b) The design of further audit procedures in accordance with ISA 330 to respond to these risks related to going concern.”

“When designing and performing risk assessment procedures in accordance with paragraph 11 (a) to obtain audit evidence that provides an appropriate basis for identifying and assessing the risks of material misstatement resulting from an inappropriate management’s assessment of the entity’s ability to continue as a going concern, the auditor shall:

- (a) Identify and assess the risks of material misstatement resulting from management’s inappropriate identification of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern,
- (b) If such events and conditions have been identified, identify and assess the risks of material misstatement resulting from management’s inappropriate assessment of the potential impact and likelihood of occurrence of those events or conditions,
- (c) If, in the auditor’s judgment, the magnitude of the potential impact and likelihood of occurrence of the events or conditions are such that, before consideration of any related mitigating factors included in management’s plans for future actions, the entity may be unable to realize its assets and discharge its liabilities in the normal course of business, identify and assess the risks of material misstatement resulting from management’s inappropriate consideration of management’s plans for future actions in relation to such events or conditions, and
- (d) Identify and assess the risks of material misstatement resulting from deficiencies identified in relation to the entity’s risk assessment process to identify, assess and address business risks relating to events of conditions that may cast significant doubt on the entity’s ability to continue as a going concern.”

Without suggesting that the requirements ought to be written in exactly this way, we believe that this approach appropriately recognizes that the auditor’s responsibility relates to determining the appropriateness of what management has done in its assessment (including identifying the noted events and conditions) in line with the respective responsibilities of management and the auditor. This does not in any way diminish the auditor’s responsibility to perform the needed audit work to determine that management’s assessment is appropriate, including management’s identification of such events or conditions is appropriate (including being complete). Along the same lines, the requirement in paragraph 12

(a) should reflect the auditor's responsibility by stating "... relevant to management's identification of events or conditions....".

The application material in paragraphs A6 to A22 – in particular paragraphs A6, A8, A10, and A12 – would need to be adjusted accordingly.

Furthermore, in line with the view described above that the entity's risk assessment process regarding business risks in relation to going concern is essentially equivalent to management's assessment of the entity's ability to continue as a going concern, we suggest that the requirement in paragraph 12 (g) be augmented at the end with "(i.e., management's risk assessment of the entity's ability to continue as a going concern)". This also implies that the application material in paragraphs A19 to A22 need to be adjusted accordingly.

4. Accounting Firms

Mazars (MZ)

Subject to our recommendations noted below, we are of the view that ED-570 supports a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Recommendations to address the clarity of such proposals:

The specificity of the risk assessment requirements in paragraph 12 of ED-570 may be better linked to the understanding that is required by ISA 315 (Revised 2019), including how that understanding may lead the auditor to identify events or conditions that may cast a significant doubt on the entity's ability to continue as a going concern. This would help reduce the length of the requirements in paragraph 12 of ED-570 while maintaining a robust link with ISA 315 (Revised 2019).

When read in conjunction, paragraphs 11 and 24 of ED-570 may inadvertently suggest that the auditor is required to identify all events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. We acknowledge that paragraph 24 is consistent with the same requirement in extant ISA 570 (Revised), however, paragraph 11 has been revised and requires the performance of risk assessment procedures that "provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern."

We would like to emphasize that the responsibility to identify events and conditions that may cast doubt on the entity's ability to continue as a going concern rests with management. Further, as explained in paragraphs 4 and 7 of this letter, the auditor's evaluation of management's assessment may be based on requirements that are more future orientated and therefore more subjective, when compared to the assessment in accordance with the applicable financial reporting framework.

As mitigating circumstances, we acknowledge that paragraph A32 of ED-570 notes that "the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence." Nonetheless, even though ED-570 includes this guidance about the sources of audit evidence, we are not convinced that the guidance addresses concerns about whether the auditor is required to identify all possible events or conditions that may exist. The IAASB may therefore consider building on this concept and examples (paragraph A32 of ED-570) to clarify the expectation of auditors when considering the population of "events or conditions" as contemplated by paragraphs 11 and 24 of ED-570.

Nexia Australia Pty Ltd (NAPL)

We have some concerns regarding the Board's attempt to link risk assessment procedures to ISA 315.

As described in paragraph A6 of the ED, the auditor's identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern is before consideration of any related mitigating factors included in management's plans for future actions. Such events and conditions may include non-financial matters, such as licenses, permits, banking facilities, loans, insurances and similar scheduled to expire during the subsequent financial year, earthquakes, floods, pandemics, changes to government policies, and other geopolitical risks.

The ED defines a material uncertainty related to going concern as an uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern where the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's professional judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary.

While the potential magnitude of the impact of the non-financial matters identified above may be significant, it may be difficult for the auditor to obtain sufficient appropriate audit evidence to support the likelihood of their occurrence (as assessed by both management and the auditor) as being low (or extremely unlikely). Similarly, in the absence of management's documented plans to respond to such non-financial matters and black swan events it may be practically difficult for the auditor to evaluate and conclude on those matters as required by paragraph 26 of the ED.

We are concerned that paragraphs 16 – 27 (and their related application guidance) of the ED are primarily focussed on financial events and conditions that may cast significant doubt on the entity's ability to continue as a going concern and does not adequately address non-financial events or conditions or provide adequate guidance on how the auditor should address those non-financial matters.

For example, the ability of an aged care provider to continue as a going concern may be dependent upon the renewal of government licences and permits within the next financial year. This is identified as an event or condition that may cast significant doubt on the entity's ability to continue as a going concern. Based on past practice, compliance with licencing conditions and current government policy, management assesses the likelihood of non-renewal as low. However, the relevant government department is unlikely to provide representations that the entity's licence will be renewed in the future. Based solely on these circumstances, it is unlikely that an auditor would include a Material Uncertainty Related to Going Concern paragraph in an auditor's report under extant ISA 570.

We recommend that the proposals clarify and explain how auditors should address black swan and non-financial conditions and events which (while extremely low in likelihood) could have significant adverse effects on the ability of an entity to continue as a going concern, and for which it may be extremely difficult to obtain audit evidence to mitigate such risk.

Otherwise, we are concerned that the proposals will have the unintended consequence of unnecessarily increasing the number of Material Uncertainty Related to Going Concern paragraphs in auditor's reports in an attempt by auditors to reduce the risk of non-compliance with ISA 570 (and potential actions by regulators and other third-party actions against the auditor), even if the likelihood of such event or condition occurring is very low.

We do not believe that the increased use of Material Uncertainty Related to Going Concern paragraphs is an appropriate consequence of the proposals, but whose likelihood is possible. Consequently, we recommend that the Board reconsider the proposals to clarify and better address non-financial risks.

6. Member Bodies and Other Professional Organizations

Chamber of Auditors of the Czech Republic (CA CR)

We believe that some of the requirements in ED par. 12 are just duplications of requirements already included in ISA 315 (Revised 2019) (e.g. points b or c). In addition, we are concerned with the level of detail in par. 12. Each of the items listed (a-i) in this paragraph might be considered as a separate requirement and thus a separate consideration and documentation could be expected from auditors irrespective of the engagement circumstances.

We propose to make only a more general reference to use ISA 315 in the context of going concern risk assessment in requirements of ED (extended a little ED par. 11) and move the current content of par. 12 to application section of the standard.

ED par. 11 requires the auditor to design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. As the concept of ISA 315 is to identify the risks of material misstatement we believe that the wording of par. 11 should be modified to stress that the objective of the auditor is to identify risks of material misstatement on the financial statement level due to inappropriate use of going concern basis or due to inadequate disclosure of material uncertainty related to going concern in the financial statements.

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

We understand that some of the feedback to the discussion paper suggested that the auditor should be required to perform specific risk assessment procedures in relation to going concern that are beyond inquiry and discussion. However, we find that many of the requirements proposed in ED-570, that build on the foundational requirements in ISA 315 (Revised), cause repetition rather than supporting a more robust identification by the auditor of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. For example, para 12 refers to a list of risk assessment procedures found in ISA 315 (Revised) which implies also relevant documentation, but it is not clear whether these are in addition to those found in ISA 315 (Revised). In our view, the work performed under ISA 315 (Revised) should help the auditor obtain an understanding on how to identify and assess risks related to going concern.

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

We suggest avoiding repeating in ED-570 (para.11 – 15) the requirements already provided for in ISA 315 (Revised 2019). A reference to ISA 315 could be sufficient, also considering the procedures at para. 12 of ED-570 which involve further documentation within the audit procedures on going concern compared to risk assessment which includes also going concern. Finally, the responsibility to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern lies mainly with management that prepares the financial statements.

IFAC SMP Advisory Group (SMPAG)

As explained in more detail elsewhere, we are concerned at the proposed language of paragraphs 11 and 33(a)(ii) because it implies 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. In our opinion, to fit with ISA 315 (Revised 2019) the auditor should be required to perform procedures to identify the risk(s) of material misstatement associated with going concern issues. These could be the risk(s) that events have

occurred or conditions exist that the entity has not properly acknowledged whereby they would cause the entity to cease to be a going concern within the 12 month period under consideration (i.e., the misstatement is then an incorrect use of the going concern assumption in preparing the financial statements) and the risk(s) that they constitute a material uncertainty which the entity has failed to properly disclose (i.e., the misstatement is the incorrect or missing disclosure). An implied requirement for the auditor to perform a (primary) identification of (all such) events and conditions is misplaced, as this is responsibility assigned to management as part of its preparation of financial statements.

The SMPAG agrees with the principles of the foundational requirements but note that some of the areas flagged in paragraph 12 may be less relevant for smaller entities, so could create a challenge for SMPs. While the examples of scalability given in paragraph A13 are useful, they do not acknowledge that in many private owned entities owners are managers, and there are few staff, so they do not necessarily have the sophistication or need to develop formal, complex strategies, objectives and forecasts, budgeting and cash flow information that the revisions to the standard may envision. In many such entities, the infrastructure simply does not exist to be forward looking in such a way, but this does not necessarily give rise to going concern issues due to the financial position of the entity. Consequently, it could be argued there are instances where following the detailed considerations listed would add little value and could potentially be misleading if the information available is known to be imprecise, or otherwise of lower quality.

Due to the breadth of factors that can impact going concern and the inherent uncertainty when making assessments of the future, this would appear to give more onerous responsibilities to the auditor, and ones that would be difficult to fulfil entirely. As we have identified in our response to question 13, the wording of paragraph 33(a)(ii) further compounds this issue with reference that implies the auditor should identify material uncertainties that cast doubts over going concern. Together, the wording of these paragraphs appears to extend the scope of responsibilities of the auditor in relation to going concern and place added onus on the auditor to identify material uncertainties. We would recommend the wording of these paragraphs is adjusted to emphasize the respective roles of management and the auditor making clear the responsibility for identifying material uncertainties or events and conditions that may give rise to going concern issues is the responsibility of management. The auditor's role is to check management have done a reasonable job in identifying material uncertainties rather than directly identifying these from the audit evidence obtained.

In several areas of our response, we have raised how the proposed revisions may serve to increase the expectations gap and increase confusion around the respective roles of auditor and those of management. Another problematic area that we have not been able to fully capture in our responses to the overall or specific questions relates to what might be perceived to be an expansion of the scope of the work the auditor is required to undertake. Paragraph 11 of the proposed revisions refers to the requirements of ISA 315 (Revised 2019), identifying that the auditor should perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Considering the issues that we have flagged due to the nature of going concern assessments being forward looking, this potentially goes beyond the requirements of ISA 315 (Revised 2019) which generally requires auditors to perform risk assessment procedures to identify the risks of material misstatement.

The Malta Institute of Accountants (TMIA)

It is clear that the requirements relating to risk assessment are being enhanced, clarified, and noted by way of examples and will need to be specifically addressed in all circumstances (again the discussion around scalability becomes important).

Although the enhanced procedures may appear to be reasonable, they however seem to imply a significant change in perceived responsibility. Under the extant ISA, the auditor evaluates management's assessment of the entity's ability to continue as a going concern. The proposals however place an obligation on the auditor to form a view on the existence of events or conditions independently of management. This represents a significant change in auditor's responsibility and therefore the change is not simply limited to strengthening the risk assessment procedures related to going concern.

8. Individuals and Others

Colin Semotiuk (CS)

ED-570 complicates the going concern risk assessment expectations. ISA 315 (Revised 2019) covers risk assessment for the financial statements, including going concern. If the Board deemed that going concern was not sufficiently included in ISA 315 (Revised), adding concise wording, specifically "including going concern," should be used versus creating a revised 570 standard. Furthermore, as stated above, having a separate risk assessment as part of the going concern standard, adding reporting on going concern as a separate section of the auditor's report, moving the going concern date, etc. combine to create an expectation that the auditor has completed an individual audit on going concern versus the auditor considers if management's use of the going concern assumption is appropriate as part of a financial statement audit.

Q06 - No specific comments

2. Regulators and Audit Oversight Authorities

National Association of State Boards of Accountancy (NASBA)

5. Public Sector Organizations

Office of the Auditor General of Manitoba (OAGM)

7. Academics

RMIT University (RMU)

8. Individuals and Others

Kazuhiro Yoshii (KY)