

Going Concern – Feedback and Issues

Objective:

The objective of the IAASB discussion in June 2024 is to:

- (a) Provide an overview of respondents comments to certain questions from the Exposure Draft (ED-570): [Proposed International Standard on Auditing 570 \(Revised 202X\), Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs](#).
- (b) Obtain the Board's input on the Going Concern Task Force's (GC TF) proposals to address key themes identified from the responses.

Overarching Matter for IAASB Consideration:

1. The Board is asked whether they agree with the GC TF summary of respondents' feedback presented in this Agenda Item, and whether there are any other significant issues raised by respondents that also should be considered?

Approach to the Board Discussion:

The GC TF Chair will pause after **Part B** and **Part C** of this Agenda Item to receive the Board's feedback on the overarching matter included in Question 1 above. In addition, in **Part C** of this Agenda Item, the Board is asked to respond to certain specific matters for the IAASB consideration for those topics where the GC TF has presented views and recommendations in response to the feedback.

Introduction

Background

1. In April 2023, the Board published ED-570 for public comment. ED-570 sought feedback from respondents whether the revisions proposed to enhance or clarify extant ISA 570 (Revised), *Going Concern*, addressed the project objectives that support the public interest described in Section III of the [project proposal](#).
2. In March 2024, the GC TF updated the IAASB on the GC TF activities and outreach undertaken since the publication of ED-570 and provided the Board with a high-level overview of the stakeholder feedback.¹ The draft March 2024 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – June 18-21, 2024* webpage.

Materials Presented

3. This paper sets out the following:
 - **Part A:** Summary of the broad range of stakeholders who have submitted written responses to ED-570, an explanation for the presentation of respondents' comments and an overview of outreach

¹ See [Agenda Item 2](#) presented to the Board in March 2024.

activities undertaken since March 2024.

- **Part B:** Overview of the significant themes from respondents' comments and an analysis of the overarching matters from the feedback.
- **Part C:** Analysis of respondents' comments for certain specific questions in the Explanatory Memorandum (EM) that accompanied ED-570, and the GC TF views and proposals to address the key themes from the responses for those questions, in the following Sections:

Section	Description
I	Professional Skepticism
II	Definition of Material Uncertainty (Related to Going Concern)
III	Risk Identification and Assessment
IV	Timeline Over Which the Going Concern Assessment is Made
V	Communication with Those Charged with Governance (TCWG)
VI	Communication with Appropriate External Parties
VII	Explicit Statements About Going Concern in the Auditor's Report
VIII	Enhanced Communication in the Auditor's Report for Listed Entities
IX	Clarity of the Implications for the Auditor's Report
X	Written Representations

- **Part D:** Way forward.

4. This Agenda Item includes the following appendices and other agenda items:

Appendix 1	Overview of the GC TF members and activities since March 2024
Appendix 2	Focused discussions with users of financial statements
Appendix 3	List of respondents to ED-570
Appendix 4	Summary of NVivo reports and the related Part in this Agenda Item where the summary is presented
Agenda Item 3-A	Drafting for proposed ISA 570 (Revised 202X) (marked-up from ED-570)
Agenda Items 3-B.1 to 3-B.12 (Supplemental)	Word NVivo reports that include comments from respondents
Agenda Items 3-C.1 to 3-C.12 (Supplemental)	Excel NVivo reports that analyze the respondents' comments

Part A: Overview of the Written Responses to ED-570 and Outreach Activities

Overview of Respondents

5. ED-570 was exposed on April 26, 2023, for a 120-day public comment period that closed on August 24, 2023. The EM accompanying ED-570 asked respondents for feedback on seventeen questions (i.e., four overall questions, twelve specific questions and two general questions (translations and effective date)).
6. Seventy-eight written responses were received from a broad range of stakeholders from all geographical regions as follows (see **Appendix 3** for a list of respondents to ED-570):

Stakeholder Type	No.	Region	No.
Monitoring Group	4	Global	16
Regulators and Audit Oversight Authorities	7	Asia Pacific	17
Jurisdictional / National Auditing Standard Setters	11	Europe	18
Accounting Firms	16	Middle East and Africa	11
Public Sector Organizations	5	North America	13
Member Bodies and Other Professional Organizations	31	South America	3
Academics, Individuals and Others	4	Total	78
Total	78		

7. While comment letters included responses provided by a diverse representation of stakeholder constituencies and geographical regions, including four responses from Monitoring Group (MG)² members, it is notable that no written responses have been received from investors or users of financial statements. The GC TF has further engaged with this particular stakeholder group to supplement the information-gathering on ED-570 (see paragraph 13).

Academic Research, Surveys and Jurisdictional Outreach

8. In developing certain responses, surveys and other forms of jurisdictional outreach were undertaken to solicit feedback from stakeholders (e.g., roundtables and focused discussions with various stakeholder groups, such as preparers and investors).³ This outreach and the comments received, were categorized in accordance with the respondent who submitted the comment letter (e.g., as from a Jurisdictional / National Auditing Standard Setters or a Professional Accountancy Organization).
9. In addition, as part of the written responses, one academic research paper was submitted that undertook an experimental study to understand how the proposed changes in ED-570 to enhance transparency

² The MG comprises the Basel Committee on Banking Supervision (BCBS), the European Commission, the Financial Stability Board, the International Association of Insurance Supervisors (IAIS), the International Forum of Independent Audit Regulators (IFIAR), the International Organization of Securities Commissions (IOSCO) and the World Bank. Four MG members including the BCBS, IAIS, IFIAR and IOSCO submitted responses to the ED-570.

³ For example, see the [written response](#) from the American Institute of Certified Public Accountants (AICPA) that undertook a survey, followed by interviews to obtain additional insights, of financial statement users and preparers in the United States to obtain their perspectives on the content of the auditor's report and transparency related to going concern in the auditor's report.

about going concern in the auditor's report may impact investors' decision making (see paragraph 126).⁴

Presentation of Comments

10. NVivo has been used to assist with the analysis of the responses to the questions of ED-570. **Appendix 4** provides a summary of the NVivo reports relevant for each question analyzed and the related Part in this Agenda Item where the summary is presented. In addition, the overall responses to the questions of ED-570 analyzed, across all stakeholder groups, are available in **Agenda Items 3-C.1 to 3-C.12**.

Outreach Activities

International Accounting Standards Board (IASB)

11. In April 2024, the GC TF Chair and Staff met with IASB representatives to discuss respondents' feedback to ED-570. Ahead of the meeting, the IASB was provided the factual comments from the written responses for those aspects where respondents asked for improvements to the requirements in IAS 1⁵ for going concern (see paragraphs 22(b)-(c)), as well as for other matters from the feedback that are of relevance to the IASB. In addition, at the meeting specific topics from the written responses to ED-570 were discussed in more depth, such as the definition of Material Uncertainty (Related to Going Concern), the timeline over which the going concern assessment is made, and the proposals for enhancing transparency about going concern in the auditor's report. At the meeting, the GC TF Chair and Staff noted that a written letter from the IAASB Chair will follow in May 2024, to highlight the factual matters raised by respondents in their feedback to ED-570 which are of relevance for the IASB.⁶

Stakeholder Advisory Council (SAC)

12. The topic of going concern was discussed at the April 2024 SAC meeting. SAC members provided their strategic input for certain key public interest issues from the proposals of ED-570 that aim to move the needle further to narrow the expectation gap (see paragraphs 82-83, 127-128 and 153).

Investor or User Outreach

13. In March and April 2024, the GC TF engaged with investors or users of financial statements to supplement the feedback from the written responses to ED-570 (also see paragraph 7 above). **Appendix 2** provides further information on the outreach undertaken, including the timing and format of the focused discussions, the selection of investors or users of financial statements for the sessions, the discussion questions for participants and the key takeaways from the engagement.

⁴ The academic research was undertaken by [RMIT University](#) and was funded by CPA Australia. The study ran two experiments using experienced investors as participants to better understand how an unqualified opinion may impact investors and also how changes in reporting for Material Uncertainties Related to Going Concern may affect investors.

⁵ International Accounting Standard (IAS) 1, *Presentation of Financial Statements*

⁶ It is also intended to provide a copy of the letter to the Chair of the International Public Sector Accounting Standards Board (IPSASB).

Part B: Overarching Themes from the Responses to ED-570

Heat Map for Key Topics from the Feedback

14. The chart below depicts the level of support expressed by respondents for key concepts and topics in ED-570. It shows a heat map, illustrating an indicative visualization of the cumulative sentiment expressed by respondents in relation to certain themes, and intends to provide a high-level directional steer to the IAASB where support (or lack of support) was expressed by the responses.
15. In the chart below, green colors indicate agreement or support for a theme (i.e., from predominantly supportive views shown in bright green, to broadly supportive responses shown in a lighter shade of green). Yellow color indicates conditional support (i.e., qualified support subject to comments, suggestions for improvement and concerns expressed by respondents) and orange colors depict varying levels where mixed views were present, including strong views that agree or disagree. For a more comprehensive analysis of the responses by significant theme, see paragraphs 17-31 and **Sections I-X** in **Part C** of this Agenda Item.



16. Paragraphs 17-31 below provide an analysis of respondents' feedback for questions 1 and 2 of ED-570 that addressed the public interest issues for this project and enhanced auditor's judgments and work related to going concern, respectively. Given the overarching nature of the matters addressed by these questions, the GC TF has not provided specific views for these topics. However, when developing its proposals to address the significant themes from the responses presented in **Part C, Sections I-X**,

of this Agenda Item, the GC TF has considered stakeholder feedback for these matters.

Public Interest Issues

Highlights from Respondents' Feedback

- Broad support that the proposals in ED-570 are responsive to the public interest.
- Views that broader considerations are also critical to support the public interest, including:
 - Coordinated actions from all stakeholders in the financial reporting ecosystem to establish trust and narrow the expectation gap.
 - Improvements to the financial reporting framework for going concern, including enhancements to the requirements for managements' disclosures in relation to going concern.
- Respondents urged for continued engagement and liaison with the IASB to promote enhancements to the requirements in IAS 1 for going concern.
- Concerns that some proposals in ED-570:
 - Create a perception that the auditor has a greater responsibility than management for assessing and safeguarding the entity's ability to continue as a going concern.
 - Are outside of the standard setting remit of the IAASB as they aim to rectify perceived deficiencies in the financial reporting framework or are imposing financial reporting requirements on management.

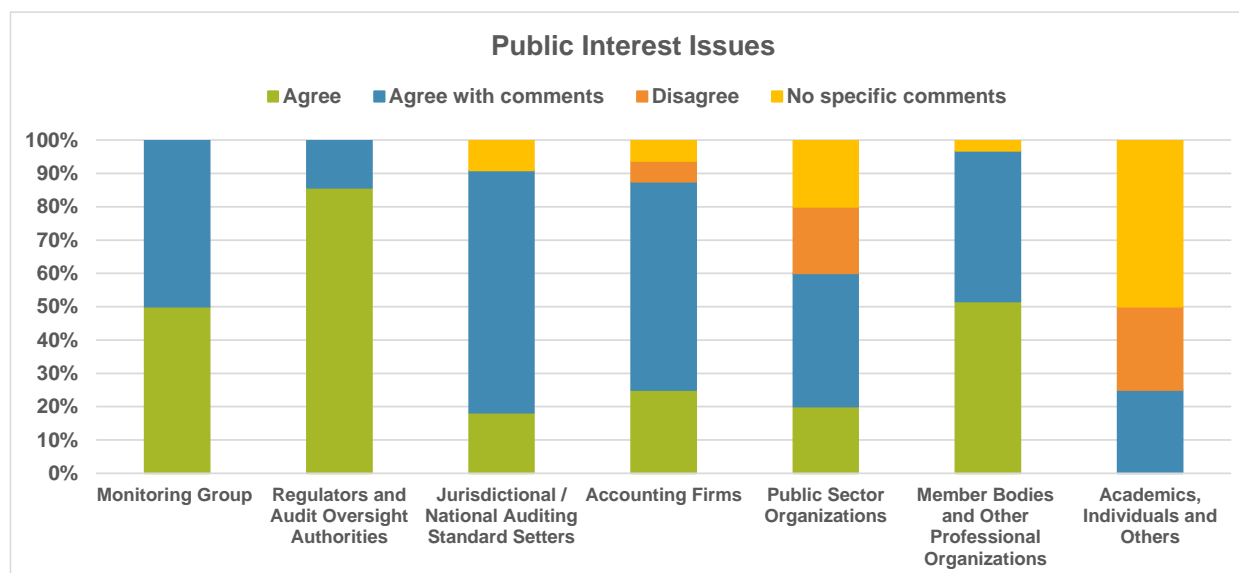
17. Question 1 sought views from respondents whether the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics⁷ and project objectives that support the public interest.

Overview of Responses

18. The chart below shows an analysis of the responses to question 1 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.1 and 3-C.1** for further details).⁸

⁷ The qualitative standard-setting characteristics of the [Public Interest Framework](#) (PIF) that were of most relevance, when determining how to address the proposed actions in ED-570 include: *scalability, proportionality, relevance, clarity and conciseness*, including overall *understandability, implementability* and ability of being *consistently applied and globally operable and coherence*.

⁸ See paragraph 6 and **Appendix 3** that provide further information on the number of respondents per stakeholder group.



Respondents' Comments

Monitoring Group Responses

19. The MG respondents supported that ED-570 is responsive to the public interest, noting that:
- (a) There is a heightened public interest for stakeholders in the auditor's responsibilities and work related to going concern. This is because when entities and their auditor's fail to identify going-concern risks confidence in financial reporting could potentially be undermined.
 - (b) The proposed enhancements to ED-570 can contribute favorably to audit quality, such as by requiring a more robust evaluation of management's assessment of the entity's ability to continue as a going concern⁹ and by responding to the public interest expectations for greater transparency about the auditor's responsibilities and work related to going concern.
 - (c) The considerations for *scalability* and *proportionality* ensure that the proposed revisions can be consistently applied regardless of the nature, size, and complexity of an entity by facilitating effective responses to going concern risks.
20. The MG respondents also encouraged:
- (a) Alignment and coordination between the IAASB and IASB in terms of the going concern requirements for auditors and management, given that the proposals in ED-570, if adopted, may result in auditor requirements that are more prescriptive and extensive than what management is currently expected to comply with under IFRS Accounting Standards.
 - (b) The IAASB to continue its dialogue and engagement with other parties in the financial reporting ecosystem that have an important role in contributing to high-quality corporate financial reporting (e.g., including with accounting standard setting bodies, preparers, those charged with governance, investors and regulators).

⁹ For the purpose of this Agenda Item, management's assessment of an entity's ability to continue as a going concern is referred to in an abbreviated manner as "management's assessment" or "management's assessment of going concern."

- (c) Extending the proposed differential requirements in ED-570 that apply for listed entities to apply to public interest entities (PIEs) (see paragraph 146).

Other Respondents' Comments

- 21. Respondents who agreed with question 1 noted the following key perspectives in their responses:
 - (a) Going concern is a high-profile area in which user expectations often exceed the auditor's work effort under the extant standard. Given such heightened expectations, there is a clear public interest for the proposals in ED-570 as they seek to strengthen the process for auditing going concern, address performance gaps, improve transparency, and promote effective and consistent implementation.
 - (b) When addressing the project objectives that support the public interest, a comprehensive approach is demonstrated through the consideration of the qualitative standard-setting characteristics of the PIF.
 - (c) The proposals take into account recent standard-setting initiatives in certain jurisdictions to improve auditing going concern thereby enabling greater consistency in practice and global comparability.
 - (d) The proposals support fostering of trust in financial reporting as they highlight the responsibilities of management and those charged with governance (TCWG) regarding their obligation to assess an entity's ability to continue as a going concern.
- 22. Respondents who agreed with question 1 and provided comments or had concerns broadly supported that the proposals in ED-570 are responsive to the public interest. However, respondents cautioned that the following public interest issues should be further considered when finalizing the proposals to ED-570:
Ecosystem efforts are critical to establish confidence and narrow the expectation gap
 - (a) While recognizing the important role that auditor's play in enhancing trust in financial reporting through the performance of robust audit procedures and transparent auditor reporting, respondents believed that the IAASB cannot narrow the expectation gap alone. Respondents:
 - Commented that although it is appropriate to consider improvements to the auditing standards, the root causes for the expectation gap and their effective solutions are unlikely to be achieved by actions of the auditor alone.
 - Believed that without broad changes and coordinated efforts among all participants in the financial reporting ecosystem (i.e., accounting standard setting bodies, preparers, TCWG, investors, regulators as well as auditors) that have a role to play in encouraging and supporting a high-quality corporate reporting and auditing system, the expectation gap in relation to going concern will remain.
 - Encouraged the IAASB to engage in dialogue and actively work with other global stakeholders on a package of holistic reforms affecting roles and responsibilities of all parties in the corporate reporting ecosystem that collectively can make a substantive change in addressing the expectation gap.

Improvements needed to the financial reporting framework

- (b) Respondents called for urgent improvements to the IFRS Accounting Standards for going concern, including enhancements to IAS 1 for managements' disclosures in relation to going

concern. Respondents disagreed and expressed disappointment with the IASB's decision for not undertaking an improvement project for to going concern in its recently finalized work plan. Comments included that it is in the public interest for the IFRS Accounting Standards to:

- Contain explicit requirements for management to disclose, in all cases, statements about the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists.
 - Extend the commencement date of management's assessment of going concern to cover a period of at least twelve months from the date of approval of the financial statements.
 - Specify that developments after the reporting date but before the financial statements are approved should be factored into the assessment of going concern, when necessary, even if they are not themselves adjusting events under the requirements of IAS 10, *Events After the Reporting Period*.
 - Require disclosures about uncertainties and key assumptions that management and TCWG have made in forming their going concern conclusions, and to disclose the judgments made by management in "close call" situations.
 - Define the term "material uncertainties" and provide guidance on when material uncertainties "may cast significant doubt" in a manner that aligns with definitions and terminology proposed in ED-570.
 - Clarify the difference between the material uncertainty threshold and liquidation basis of accounting threshold.
- (c) Given the perceived limitations in the financial reporting framework discussed above, respondents cautioned that the proposed revisions in ED-570:
- Are insufficient on their own to drive enhanced transparency for intended users through the auditor's report. Views included that the financial reporting framework and the auditing standards need to work in concert, and that without a robust financial reporting framework, decision-useful information related to going concern cannot be provided to intended users.
 - May exacerbate the expectation gap, given that the proposals in ED-570, without corresponding changes to the financial reporting framework, may be misinterpreted that auditors, rather than management, have primarily responsibility to safeguard the entity's ability to continue as a going concern.
 - Are made without having obtained "any guarantee" from the IASB that they would enhance going concern disclosures and other related requirements in the IFRS Accounting Standards. Views included that the revisions to ISA 570 (Revised) should be considered holistically with corresponding improvements for the responsibilities of management in the applicable financial reporting framework.

Imposing financial reporting requirements on management

- (d) Respondents commented that the requirements and guidance set out in ED-570 are more prescriptive and comprehensive than the requirements in the IFRS Accounting Standards.

Respondents were also concerned that:

- Certain proposals in ED-570 are not within the standard-setting remit of the IAASB (e.g., setting requirements about the extended commencement period of management's assessment of going concern). In addition, views included that the IAASB is using auditing standards as a vehicle to address deficiencies in the financial reporting framework for management's responsibility to provide adequate disclosures about going concern.
 - The inconsistencies between the auditing standards and recognized financial reporting frameworks, create application challenges for the auditor. Views included that without aligning the financial reporting and auditing standards, auditors will be placed in a position when they are imposing financial reporting requirements on management through auditing standards which does not support the public interest.
- (e) Respondents encouraged the IAASB to continue its coordination and liaison with accounting standard setting bodies, such as with the IASB and IPSASB. Respondents supported that the IAASB should:
- Encourage improvements to these financial reporting frameworks with respect to going concern.
 - Ensure that a holistic approach¹⁰ is taken that meets the expectations of stakeholders and supports the wider public interest.
 - Continue to solicit feedback from accounting standard setters on topics of mutual interest and overlapping concepts.
 - Collaborate on providing additional guidance and implementation support materials.

Other matters

- (f) Respondents also commented that:
- Although implicit throughout ED-570, it would be in the public interest to explicitly emphasize in the introductory section of the standard that management and TCWG have primary responsibility for assessing and safeguarding the going concern status of an entity.
 - Further context is considered for the introductory paragraphs of the standard to recognize the relative roles and responsibilities of the main parties with an interest in whether an entity is a going concern (management and TCWG, investors or users of financial statements, regulators and other stakeholders, including the auditor).
 - Scalability of the auditor's work effort and proportionality aspects in the proposals need to be further addressed, as well as providing more guidance specific for the application of ED-570 in the context of the public sector.
 - The proposals to enhance transparency about going concern in the auditor's report risk widening the expectation gap by creating a perception that a disproportionate

¹⁰ The holistic approach envisages liaison and coordination between the auditing and accounting standard-setting bodies to facilitate consistency in their respective going concern standards as it relates to framework, concepts and definitions.

responsibility rests with the auditor with respect to going concern, are too confirmatory and may desensitize users to going concern issues, may be misinterpreted as a separate opinion on going concern and as guaranteeing the future viability of the entity.

- Educating financial statement users rather than revising the auditor's report may be a more appropriate approach to narrow the expectation gap (e.g., financial statement users may not be fully aware of the meaning of the going concern basis of accounting). In addition, the IAASB should develop educational materials aimed at preparers, TCWG and other stakeholders to support the implementation of ED-570.

23. Respondents who disagreed with question 1 believed that ED-570 does not appropriately respond to the public interest given the following key deficiencies:

- (a) The proposals in ED-570 do not meet the objectives stated in the project proposal as the qualitative standard-setting characteristics for *scalability*, *implementability*, and ability of being *consistently* applied and *globally operable* are not fully considered and have not been adequately addressed.
- (b) Certain proposals in ED-570 may be misleading to financial statement users, such as providing additional disclosures in relation to going concern in the auditor's report, with the potential of exacerbating the expectation gap. In addition, the proposals for explicit statements about going concern in the auditor's report may be interpreted as the auditor reporting on forward looking information, while an audit of financial statements is focused on historical financial information.
- (c) There is a significant increase in the length of the standard and there is repetition of requirements already addressed by other ISAs (e.g., by ISA 315 (Revised 2019)).¹¹
- (d) The auditor's request to management to extend the commencement date of its going concern assessment from the financial statement date to the date of approval of the financial statements is not necessary as this period is already covered by the auditor's work in relation to subsequent events.

Suggestions from these respondents included that the IAASB not revise ISA 570 (Revised) until accounting standard setters (e.g., IASB and IPSASB) improve the requirements for going concern in their respective standards.

Enhanced Auditor's Judgments and Work Related to Going Concern

Highlights from Respondents' Feedback

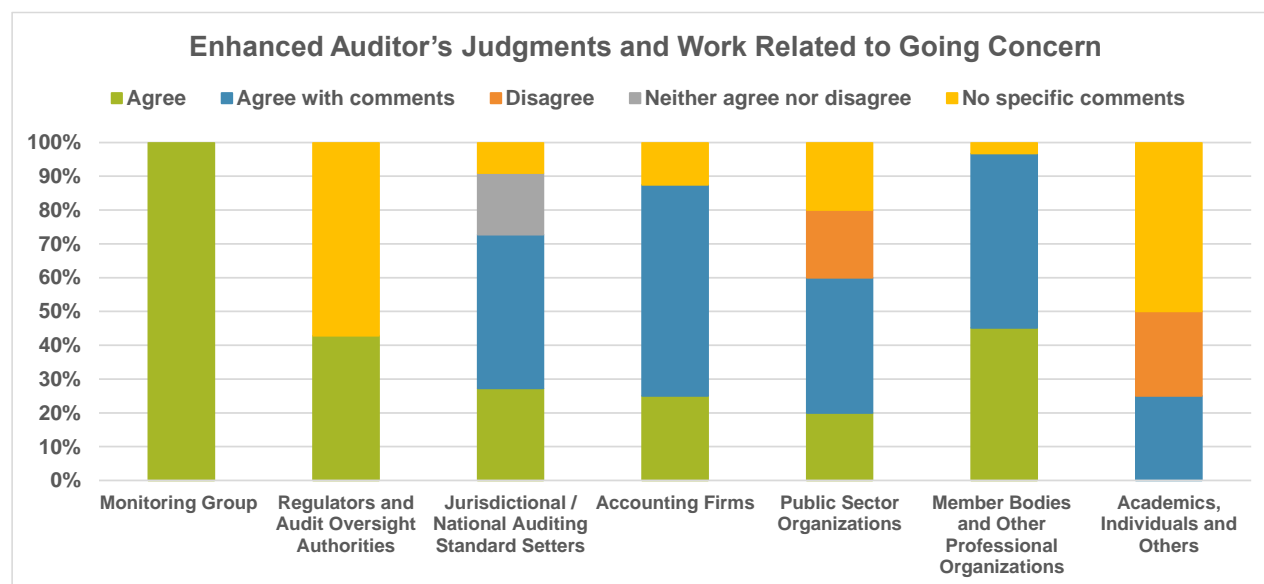
- Broad support for the enhancements to the 'performance' aspects in ED-570. Encouragement to emphasize the role and responsibility of management and TCWG to prepare timely and robust assessments of going concern as a basis for the auditor's evaluation.
- Mixed views about whether the 'reporting' aspects of ED-570 would achieve the desired outcomes given:
 - Difficulties with professional judgments in this area, linked to the forward-looking nature of management's assessment of going concern and inherent limitations about future events or conditions that cannot be eliminated.

¹¹ ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

- Concerns that the proposals, while enhancing transparency, would not narrow the expectation gap.

Overview of Responses

24. Question 2 asked respondents for views whether the proposals in ED-570 will enhance and strengthen the auditor's judgments and work relating to going concern, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.
25. The chart below shows an analysis of the responses to question 2 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.2 and 3-C.2** for further details).



Respondents' Comments

Monitoring Group Responses

26. The MG respondents recognized that ED-570 is an improvement over extant ISA 570 (Revised) with respect to enhancing and strengthening the auditor's judgments and work relating to going concern. They commented that the proposals can favorably contribute to audit quality by promoting consistent practice and modifying auditor behavior through enabling a robust work effort in relation to going concern, effective and timely response to identified going concern risks, enhancing the quality of communications with TCWG and reporting to intended users of financial statements in the auditor's report. In addition, views included that the enhanced requirements, together with the related application material, support that ED-570 is scalable, relevant, and can be implemented globally and more consistently than the extant standard.

Other Respondents' Comments

27. Respondents who agreed with question 2 believed that the enhancements made to ED-570:
- (a) Support the auditor to be proactive in their evaluation of going concern that will encourage auditors to identify, consider and address going concern issues in the early stages of the audit.

- (b) Facilitate consistency in approaches across firms of all sizes and jurisdictions and will drive clear and consistent documentation of the auditor's work effort.
 - (c) Reinforce the appropriate application of professional skepticism resulting in a critical assessment of the audit evidence obtained and strengthened auditor judgments.
 - (d) Require the auditor to obtain a deeper understanding of management's process for assessing going concern and encourage appropriate transparent dialogue with TCWG.
 - (e) Sufficiently guide auditors when obtaining and evaluating audit evidence related to identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern¹² and when concluding whether a material uncertainty exists.
28. Respondents who agreed with question 2 and provided comments or had concerns generally were supportive that the enhancements to the 'performance' aspects of the standard would collectively lead to enhanced auditor's judgments and strengthened auditor's work effort in relation to going concern. Views included that robust and timely management assessments of going concern are essential for the auditor's robust evaluations of those assessments. Suggestions included to emphasize the importance of communicating to the entity's management and TCWG their roles and responsibilities related to going concern.
29. However, there were mixed views, as outlined below, whether the enhancements proposed for the 'reporting' aspects of ED-570 would achieve the IAASB's desired outcomes:
- (a) Some respondents, including those from jurisdictions where enhanced transparency in the auditor's report about going concern is already required, were supportive, noting that the increased transparency would enhance the understanding to intended users about the auditor's responsibilities and work in relation to going concern.
 - (b) Other respondents questioned whether the enhancements for transparency through communicating and reporting would significantly affect the procedures performed by the auditor or the professional judgments made. Views among these respondents included that:
 - When communicating key audit matters (KAM) in accordance with ISA 701¹³ was first introduced, this did not impact the auditor's work in relation to those matters and the auditor judgments made were likely not affected by the requirement to report KAM.
 - The forward-looking nature of management's assessment of going concern has inherent limitations that cannot be eliminated (e.g., numerous events or conditions that can impact the entity's position in a sudden, unpredictable, and significant manner after the auditor's report is signed). Given these limitations, views included that the expectation gap in an audit of financial statements will not diminish with improved transparency through communicating and reporting about the auditor's responsibilities and work in relation to going concern. Comments included that there needs to be an acknowledgement that only limited challenge can be made about future events, and it would be useful for the proposed standard to further identify the difficulties in this area

¹² For the purpose of this Agenda Item, events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are referred to in an abbreviated manner as "events or conditions" or "events or conditions that may cast significant doubt."

¹³ ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

by explaining why there is an increased complexity for the auditor's judgments for going concern.

- The effectiveness of the communication relies on the existence of appropriate responsibilities and accountability for TCWG within the corporate reporting system and that a broader ecosystem-wide reform would best serve the interests of intended users.
- (c) Some respondents referred to their responses to question 13 of ED-570 (see **Section VII**) and expressed concerns or disagreed with providing explicit statements relating to going concern in the auditor's report, noting that the proposals would enhance transparency, however, would not narrow the expectation gap.
30. Respondents who disagreed with question 2 commented that publicized going concern failures are not due to deficiencies with extant ISA 570 (Revised) and it is unclear whether ED-570 would have resulted in a different reporting outcome for such cases. In addition, respondents noted that ED-570:
- (a) Imposes a requirement on management to prepare an assessment of going concern covering a specific timeline when it should be within the remit of the applicable financial reporting framework to impose requirements for management.
 - (b) Does not appropriately consider the uniqueness of the public sector environment and could create a misalignment with public sector accounting requirements (e.g., when public sector accounting standards do not require management to prepare a going concern assessment under the continued provision of service approach).
 - (c) May mislead intended users of financial statements to perceive that auditors are providing a greater level of assurance on the entity's ability to continue as a going concern than actually provided (e.g., by providing a positive statement on management's use of the going concern basis of accounting) or are reporting on forward-looking financial information, when the purpose of the auditor's report is to report on historical financial information.
31. Respondents who neither agreed nor disagreed with question 2 believed that while the proposals in ED-570 are headed in the right direction, further improvements and clarity is necessary to fully achieve the IAASB's desired outcomes for enhanced auditor's judgments and strengthened work effort in relation to going concern.

Matter for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Part B** of this Agenda Item.

Part C: Analysis of Responses by Significant Theme and the GC TF Views and Recommendations

32. **Sections I-X** below provide an analysis of respondents' comments for certain questions in the EM accompanying ED-570, highlighting the significant themes identified from the feedback. When providing their responses, some stakeholders commented about specific themes under different questions. In presenting the analysis of the feedback, the GC TF grouped stakeholder responses for the questions analyzed that fed into each significant theme.
33. In prioritizing the questions analyzed in **Sections I-X** below, and when providing its views and

recommendations, the GC TF focused on those matters where mixed feedback was received from the responses (i.e., questions where respondents both agreed or disagreed with the proposals in ED-570). This is because for these matters strategic input is needed from the Board on the proposed direction. The feedback on the questions not addressed in this Agenda Item, along with the GC TF views and recommendations, will be presented to the Board in September 2024 for discussion (see paragraph 197 below).

Section I – Professional Skepticism

Highlights from Respondents' Feedback

- Overall support for the enhancements made to ED-570 for professional skepticism.
- Suggestions for incorporating further references and examples addressing the auditor's application of professional skepticism in relation to going concern.

Overview of Responses

34. Question 4 asked respondents for their views whether the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern.
35. The chart below shows an analysis of the responses to question 4 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.3 and 3-C.3** for further details).



Respondents' Comments

Monitoring Group Responses

36. The MG respondents noted their support for incorporating the auditor's application of professional skepticism explicitly into the requirements of ED-570 and the additional focus in the application material for this topic.
37. The MG respondents also encouraged the IAASB to:
- (a) Align the requirements in paragraphs 29–30 of ED-570 and the related application material

with proposed ISA 500 (Revised), *Audit Evidence*, when finalized.

- (b) Extend the examples in the application material to recognize that information from external sources can also be contradictory to management's assertions. Furthermore, to recognize that an indicator of possible management bias may include when there are no changes in the method or assumptions from period to period despite a significant change in circumstances.
- (c) Reconsider the application material that the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence as it may discourage the auditor from performing procedures more proactively to identify events or conditions that may cast significant doubt.

Other Respondents' Comments

38. Respondents who agreed with question 4 supported the requirements and application material for professional skepticism for the following key reasons:

- (a) The requirements and guidance in ED-570 provide a robust framework for applying professional skepticism in relation to going concern which is consistent with the IAASB objective to promote consistent practice and behavior among auditors.
- (b) Incorporating the concept of professional skepticism in several parts of the standard collectively provides the necessary prominence and emphasis for applying professional skepticism throughout planning and performing the audit.
- (c) Professional skepticism is appropriately highlighted through its linkage to other relevant standards such as ISA 315 (Revised 2019) and ISA 540 (Revised).¹⁴
- (d) There is emphasis on the importance for obtaining audit evidence from multiple sources within and outside the entity which will assist auditors to appropriately challenge management and critically assess the audit evidence obtained.
- (e) Requiring the auditor to "stand-back" and consider all audit evidence obtained, whether consistent or inconsistent and regardless of whether corroborative or contradictory with other audit evidence, aligns with best practice in high-quality audits.
- (f) The enhancements proposed appropriately build awareness for the need to remain alert for potential bias by both the auditor and by management when assessing going concern.

39. Respondents who agreed with question 4 and provided comments or had concerns identified opportunities for:

- (a) Providing additional references to professional skepticism in the application material (e.g., when evaluating management's plan for future actions and challenging management as to why such plans are feasible and are likely to mitigate the concerns).
- (b) Including more examples (e.g., examples of conscious and unconscious auditor biases that may constrain the application of professional skepticism when evaluating management's assessment of going concern, such as anchoring bias, confirmation bias, or overconfidence bias).
- (c) Developing timely guidance to support auditors demonstrating and documenting that they have

¹⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

applied professional skepticism when auditing going concern.

40. Respondents who agreed with question 4 and provided comments or had concerns also discussed that going concern is an audit area of inherent uncertainty due to the forward-looking nature of future events or conditions. In this context, some respondents believed that it is important for ED-570 to embrace more consistently a “presumptive doubt” approach, rather than a neutral approach, given the inherent subjectivity present in management’s judgments related to going concern. Other respondents believed that the auditor’s ability to challenge management about future events or conditions may be limited, and a focus on corroboration may be more appropriate in the absence of contradictory information.

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-A:</i>	<i>Para’s. 18, 29 and A10, A32, A57–A60</i>
-------------------------------------------------------	----------------------------------------------------

41. The GC TF notes the support from the written responses for the enhancements made in relation to professional skepticism. In response to the feedback, the GC TF:
- (a) Enhanced the examples in paragraphs A32 and A58 of **Agenda Item 3-A**. However, the GC TF did not pursue suggestions for adding additional references to professional skepticism in the standard. This is because it may be repetitive in relation to matters already addressed by other ISAs, such as in ISA 200¹⁵ setting out the overarching requirement for the auditor to plan and perform an audit with professional skepticism or in ISA 220 (Revised)¹⁶ that provides guidance about unconscious auditor biases that may impede the exercise of professional skepticism.
 - (b) Discussed the MG respondent’s suggestion to remove the guidance in paragraph A32 of **Agenda Item 3-A** explaining that the auditor is not required to perform an exhaustive search to identify all possible sources of audit evidence. However, the GC TF remained of the view that this guidance is appropriate and also consistent with similar wording used in paragraph A15 of ISA 315 (Revised 2019) and paragraph A82 of ISA 540 (Revised).

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section I** above. In addition:

- 2. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to professional skepticism.

¹⁵ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 15

¹⁶ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraph A35

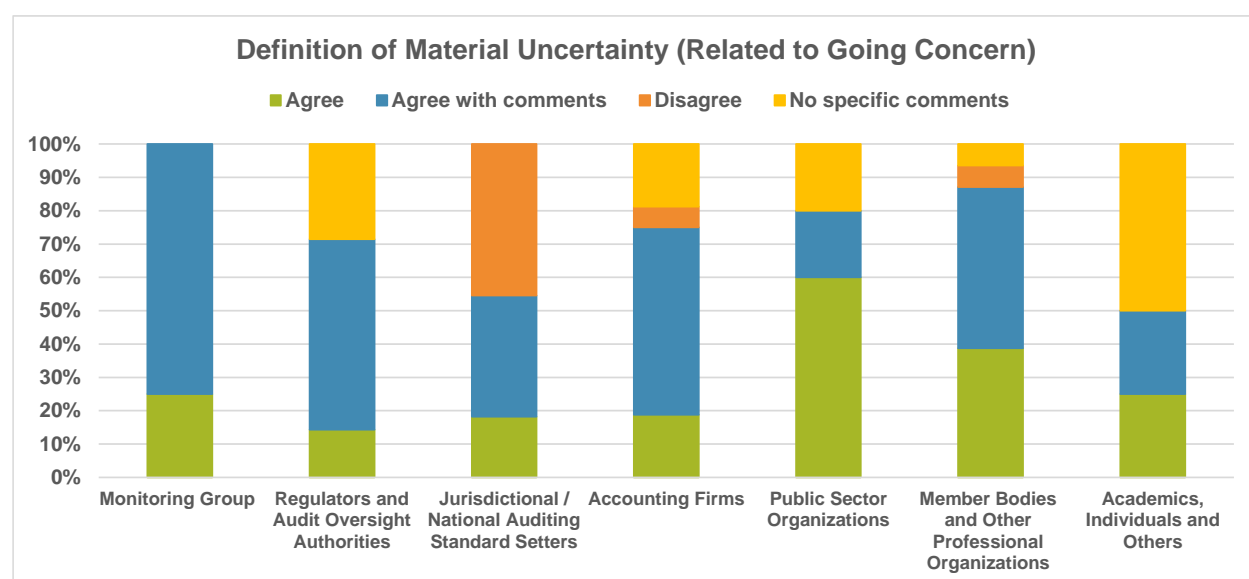
Section II – Definition of Material Uncertainty (Related to Going Concern)

Highlights from Respondents' Feedback

- Broad support for defining Material Uncertainty (Related to Going Concern).
- Encouragement for:
 - Elevating the clarification for the phrase “may cast significant doubt” from the application material to the definitions or requirements section of the standard.
 - Aligning going concern related terminology and definitions used in the auditing and financial reporting standards to support common understanding among auditors and preparers.
- Suggested improvements to the Definition of Material Uncertainty (Related to Going Concern):
 - Removing the reference to the “auditor’s professional judgment” and “disclosures” from the definition.
 - Simplifying and phrasing the definition to support understandability and translations.
- Suggested improvements for the application material:
 - Addressing the threshold of likelihood of occurrence of identified events or conditions and the interplay with the magnitude of their potential impact.
 - Enhancing the linkages with the evaluation of management’s plan for future actions.

Overview of Responses

42. Question 5 asked respondents if they supported the definition of Material Uncertainty (Related to Going Concern) and in particular, if they supported the application material to the definition clarifying the phrase “may cast significant doubt.”
43. The chart below shows an analysis of the responses to question 5 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.4 and 3-C.4** for further details).



Respondents' Comments

Monitoring Group Responses

44. The MG respondents supported the proposed definition of Material Uncertainty (Related to Going Concern) and the clarification for the phrase “may cast significant doubt,” noting that the proposals enable greater understanding and promote consistency in application across jurisdictions.
45. The MG respondents encouraged the IAASB to:
- (a) Remove the phrase “in the auditor’s professional judgment” from the definition so that it can apply to both management and the auditor, or to clarify the basis on which the auditor forms such professional judgments.
 - (b) Elevate the explanation for the phrase “may cast significant doubt” from the application material to the definition, given it is a key concept that is critical to proper understanding and performing the requirements of ED-570.

Other Respondents' Comments

46. Respondents who agreed with question 5 noted the following key reasons for their support:
- (a) The definition of Material Uncertainty (Related to Going Concern) appropriately aligns with terminology used in financial reporting frameworks and supports narrowing the “understanding gap” between preparers and auditors. In addition, the definition supports clarity that will help drive more consistency in practice.
 - (b) Repositioning the extant essential material discussing “material uncertainty” to the definitions section provides emphasis for this core concept that is critically important to the auditor’s conclusions.
 - (c) The definition and the clarification for the phrase “may cast significant doubt” enhances the understanding for the scope of work that the auditor is required to perform in relation to going concern (e.g., by providing a threshold to assess the magnitude of potential impact for the identified events or conditions and the likelihood of their occurrence).
47. Respondents who agreed with question 5 and provided comments or had concerns broadly supported defining Material Uncertainty (Related to Going Concern) and the clarification provided in the application material for the phrase “may cast significant doubt.” However, respondents were of the view that further improvements are needed for the following key matters:

Elevating the clarification for the phrase “may cast significant doubt” to the definitions or requirements

- (a) Views included that the phrase “may cast significant doubt” is critical to the proper application of the requirements in the standard and for supporting understanding that a Material Uncertainty (Related to Going Concern) results because of unresolved events or conditions that, individually or collectively, may cast significant doubt. Given its importance, respondents supported providing more prominence to the phrase by elevating the explanation to the definitions or requirements in ED-570.

Aligning definitions and terminology among auditing and financial reporting standards

- (b) Comments were made that when financial reporting frameworks do not have a clear definition for

the term “material uncertainty” and do not specify what information should be disclosed, there is scope for confusion, which may lead to inconsistency in practice. Respondents highlighted the need for consistent interpretations between auditors, management and TCWG for going concern related matters, and:

- Supported that the term “material uncertainty” also be defined in the IFRS Accounting Standards in the same manner as in ED-570.
- Noted the importance for the IAASB to engage with Jurisdictional / National Auditing Standard Setters in providing implementation support materials and guidance on the interpretation and application for terminology used in ED-570 to promote consistent understanding and application.
- Encouraged the IAASB to continue liaising with the IASB and other accounting standard setters to encourage greater consistency and clarity for going concern related terminology used in the financial reporting frameworks to help narrow the knowledge gap in this area.

References to “auditor’s professional judgment” and “disclosures” in the definition

- (c) Respondents commented that the phrase “in the auditor’s professional judgment” should be:
- Removed from the definition of Material Uncertainty (Related to Going Concern), given it undermines that management may have identified the material uncertainty when making its assessment of the entity’s ability to continue as a going concern.
 - Clarified to specify the basis on which such professional judgment is made, given it implies that it is the auditor solely who determines what is (or is not) a Material Uncertainty (Related to Going Concern).
- (d) Respondents questioned whether it is appropriate for the definition of Material Uncertainty (Related to Going Concern) to include references to disclosures of the nature and implications of the uncertainty in the context of the applicable financial reporting framework. Views included that a reference to disclosures may confuse the definition given that the auditor’s conclusion as to whether a material uncertainty exists precedes the auditor’s determination for the adequacy of management’s disclosures.

Thresholds for the magnitude of potential impact and likelihood of occurrence

- (e) Comments were made that the application material to the definition of Material Uncertainty (Related to Going Concern) addresses the magnitude of the potential impact of the identified events or conditions, but not their likelihood of occurrence. Suggestions included to provide a more comprehensive coverage in paragraph A5 of ED-570 of both the magnitude of potential impact and the likelihood of occurrence and to develop examples to illustrate their crossover and interplay.

Remedial actions to mitigate the effects of events or conditions

- (f) Respondents commented that the phrase “unless management takes remedial actions” used in paragraph A5 of ED-570 is unclear. Comments included that:
- Consideration should be provided for coherence with the revisions proposed elsewhere in ED-570 which clarify that events or conditions are identified on a gross basis, with mitigating

factors then considered in determining whether there is a material uncertainty.

- The definition of Material Uncertainty (Related to Going Concern) should be linked to the auditor's evaluation of management's plan for future actions, given such plan is also associated with uncertainty of being realized.

Other matters

(g) Other matters for which respondents suggested clarifications or improvements include:

- Simplifying the wording of the definition of Material Uncertainty (Related to Going Concern) to enhance its understandability and phrasing the definition in shorter sentences to facilitate translations.
- Clarifying what the "foreseeable future" includes and addressing the period of time for which the identified events or conditions are evaluated, either by defining the term or limiting the evaluation to a reasonable period of time.
- Leveraging paragraph 2 of ED-570 to provide a definition or description for the term "going concern," given it is a fundamental assumption in the preparation of financial statements.
- Providing a definition or description for a "close call" situation.

48. Respondents who disagreed with question 5:

- (a) Were concerned about the lack of consistency between terminology and definitions used in ED-570 and the financial reporting standards. Comments included the term "material uncertainty" should be defined by accounting standard setters (e.g., by the IASB), given that management, as the party responsible for the preparation of the financial statements, sufficiently needs to understand this term and its implications to the financial statements, including for providing adequate disclosures. Respondents encouraged the IAASB to continue to engage with IASB and IPSASB for consistency in the meaning of terminology across both auditing and financial reporting standards which would enhance consistent use and application by management, TCWG and the auditor.
- (b) Noted similar matters as those explained in paragraph 47 above, including that:
- The proposed definition should include the auditor's evaluation of management's plan for future actions as this is important to the auditor's conclusion about whether a material uncertainty exists. In addition, the concept of likelihood should be considered and addressed in the evaluation of management's plan for future actions.
 - Specificity should be provided in the definition about the period of time to which the auditor's conclusion related given this is an important element that mitigates potential misconceptions for intended users.
 - To enhance understandability, the definition should be phrased in shorter sentences.

GC TF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-A :	Para's. 10 and A4–A5A
-------------------------------------------------	------------------------------

Reference to “Auditor’s Professional Judgment” in the Definition

49. As a reminder, the GC TF rationale for including the term “auditor’s professional judgment” in the definition was because it supported the *auditor’s conclusion* required by paragraph 30 of ED-570. In addition, given that “material uncertainty” remains undefined by the international financial reporting frameworks, it was considered appropriate for the IAASB to define terms only for the purpose of the auditor’s responsibilities and work related to going concern.
50. The GC TF notes that it is not uncommon for the IAASB to use the term “auditor’s professional judgment” in defined terms of the ISAs, however this is usually in the context of concepts relevant specifically to the auditor or the audit engagement (for example in the definition of KAM).
51. The GC TF has sympathy for respondents’ views that by highlighting only the auditor’s professional judgment in the definition this may be perceived as the definition not being relevant to management when assessing the entity’s ability to continue as a going concern and disclosing material uncertainties management is aware of. Therefore, the GC TF proposes to remove the phrase “auditor’s professional judgment” from the definition of Material Uncertainty (Related to Going Concern) (see paragraph 10 of **Agenda Item 3-A**).
52. In addition, because “material uncertainty” remains undefined by the international financial reporting frameworks, having a common reference in ED-570 for the term Material Uncertainty (Related to Going Concern) that can apply to both management and the auditor in the appropriate context would support the public interest by fostering common understanding among all parties for this important concept. Equally, the GC TF discussed that by removing the phrase “auditor’s professional judgment” from the definition this would not undermine the auditor’s professional judgment when concluding whether a material uncertainty exists as this remains explicit in the requirement in paragraph 30 of ED-570.

Reference to “Disclosures” in the Definition

53. With respect to respondents’ views that the reference to “disclosures” in the definition should be removed, the GC TF notes that such reference remains consistent with the essential material in extant paragraph 18 of ISA 570 (Revised). The GC TF discussed that retaining a reference to disclosures in the context of the definition, remains important as it supports the understanding of the expectations from the auditor as a consequence of a material uncertainty, i.e., to evaluate the adequacy of management’s disclosures in the financial statements and to determine the implications for the auditor’s report. Also, the identification of a material uncertainty is a matter that is important to intended users’ understanding of the financial statements and on this basis, it remains relevant to emphasize disclosures in the context of the definition.
54. Given these considerations, the GC TF believes that the reference to disclosures should be retained. However, instead of providing the reference in the definition itself, the GC TF proposes to retain the concept in the application material to the definition (see paragraph A5A of **Agenda Item 3-A**). This is because the reference to disclosures does not directly help define the concept of a material uncertainty, however it remains important to support intended users’ understanding of the financial statements. Doing so, also helps reducing the length of the definition that was cited as a concern that could impact effective translations.

Elevating the Phrase “May Cast Significant Doubt” to the Definition

55. The GC TF agrees with respondents, including MG respondents, that the explanation for the phrase “may cast significant doubt” is critical to consistent application of the requirements of ED-570, as it supports understanding the notion that a material uncertainty is the result of unresolved events or conditions that, individually or collectively, “may cast significant doubt.” Given its relevance, the GC TF believes it is important to elevate this phrase to the definitions or requirements of the standard.
56. In determining the most appropriate approach to accomplish this, the GC TF considered several options, and formed the view that it is appropriate to incorporate the description for “may cast significant doubt” into the definition of Material Uncertainty (Related to Going Concern) (see paragraph 10 of **Agenda Item 3-A**). In reaching its view, the GC TF considered:
- (a) The CUSP Drafting Principles and Guidelines that relate to the definitions in the ISAs.¹⁷ It is appropriate to elevate the explanation to the Definitions section of the standard, given that the phrase is used prominently in the requirements of the standard and is critical to support their proper application. In addition, the GC TF believes that this approach supports providing sufficient prominence for this important concept upfront in the standard.
 - (b) Consistency with how descriptions embedded within definitions in certain other ISAs are approached (e.g., the definition of applicable financial reporting framework in ISA 200¹⁸ that includes a description for the terms “fair presentation framework” and “compliance framework” in the definition itself).
 - (c) Respondents’ views that suggested phrasing the definition into shorter sentences, to support understandability and effective translations.
57. In incorporating the explanation of “may cast significant doubt” into the definition, the GC TF also:
- (a) Included the threshold of likelihood of occurrence, in addition to the threshold for magnitude of potential impact, in the explanation for the phrase “may cast significant doubt” given this is consistent with the definition itself that addressed both thresholds.
 - (b) Made a clearer link to management’s plans for future actions and whether they mitigate the effects of events or conditions that may cast significant doubt.

Other Matters from the Feedback

58. Respondents also suggested introducing definitions for “going concern” and a “close call” situations. The GC TF proposed that such definitions are not pursued given that:
- (a) “Going concern” is first and foremost a reporting concept that has been appropriately defined or described in international financial reporting frameworks.¹⁹ In addition, because the ISAs are

¹⁷ See Section 8.1.6 of “Definitions in the ISAs” in the [CUSP Drafting Principles and Guidelines](#).

¹⁸ ISA 200, paragraph 4

¹⁹ The International Financial Reporting Standard for Small and Medium-Sized Entities (IFRS for SMEs) includes going concern as a defined term in its Glossary of Terms as follows: “an entity is a going concern unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.” IAS 1, paragraph 25 and International Public Sector Accounting Standard (IPSAS) 1, *Presentation of Financial Statements*, paragraph 38 also require that an entity prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

reporting framework neutral, the concept is prominently discussed in the introductory section of the standard (see paragraph 2 of ED-570).

- (b) “Close call” situations remain undefined by the international financial reporting frameworks (see paragraphs 154-156). The IFRS Foundation [education material](#) issued in January 2021 provides guidance that discusses a circumstance that constitutes a “close-call” situation and the GC TF leveraged this material to provide application material in paragraph A62 of ED-570. The GC TF believes that this concept could be further clarified, for example, in the Basis for Conclusions or in implementation guidance.
59. Respondents also suggested clarifying what is meant by “foreseeable future” (e.g., clarifying that a material uncertainty is considered for a period of at least twelve-months from the date of approval of the financial statements). The GC TF intends to deliberate this matter in more depth post June 2024, given it is linked to the outcome of the proposals for the timeline over which the going concern assessment is made (also see **Section IV** below).

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section II** above. In addition:

3. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the Definition of Material Uncertainty (Related to Going Concern).

Section III – Risk Identification and Assessment

Highlights from Respondents’ Feedback

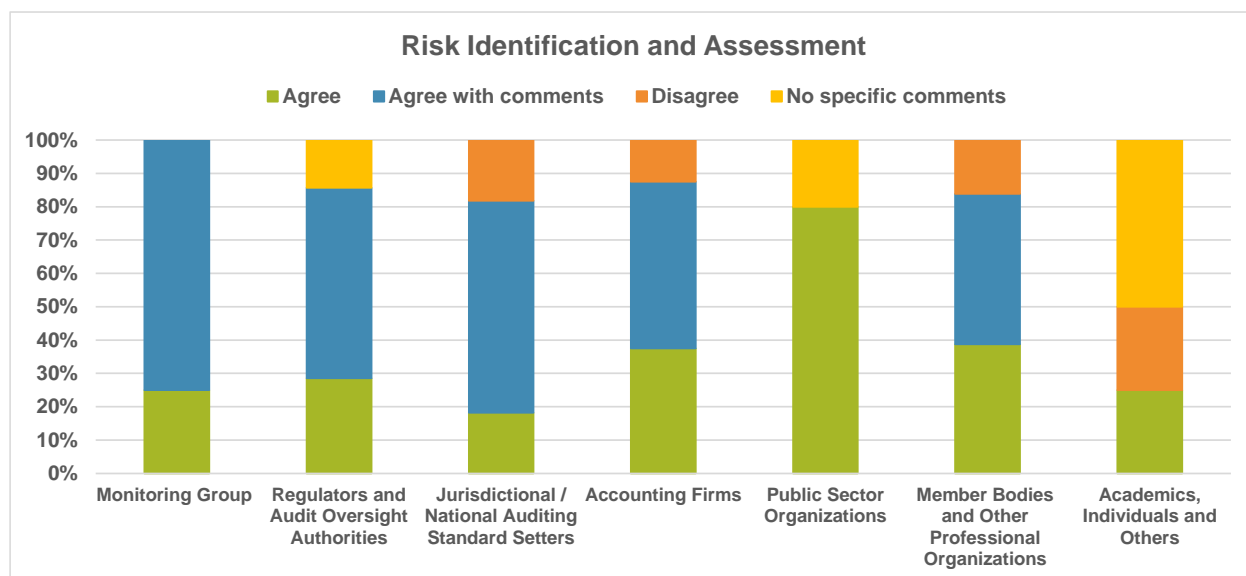
- Broad support for the enhancements made for risk assessment procedures and related activities.
- Mixed views about the level of detail addressed by the requirements, including views that:
 - Further aspects of ISA 315 (Revised 2019) should be addressed, and concepts elevated from the application material to the requirements.
 - The requirements to obtain an understanding of the entity and the entity’s system of internal control should be relegated to the application material given they are duplicative with ISA 315 (Revised 2019).
- Encouragement to:
 - Provide clarity that it is management’s primary responsibility to identify events or conditions.
 - Avoid creating a perception that the auditor is responsible to identify all events or conditions.
 - Provide further scalability guidance for smaller or less complex entities (LCEs).

Overview of Responses

60. Question 6 asked respondents if they agreed 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.

61. The chart below shows an analysis of the responses to question 6 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.5 and 3-C.5** for further details).



Respondents’ Comments

Monitoring Group Responses

62. The MG respondents supported the enhanced risk assessment procedures and related activities, noting they facilitate an effective and timely identification of events or conditions that may cast significant doubt.
63. The MG respondents suggested that:
- (a) Certain application material paragraphs are elevated to the requirements, given their relevance, such as the explanation that the auditor’s identification of events or conditions that may cast significant doubt is made before taking into account any related mitigating factors and that events or conditions need to be considered both individually and collectively.
 - (b) Additional aspects of ISA 315 (Revised 2019) be incorporated into the requirements of ED-570, such as obtaining an understanding of industry, regulatory and other external factors, the entity’s information system and communication, and the control activities component.

Other Respondents’ Comments

64. Respondents who agreed with question 6 noted the following key reasons for their support:
- (a) There is significant improvement over extant in this area by elevating the requirements from inquiry and discussion with management to a more robust approach for the auditor to design and perform risk assessment procedures as a basis for identifying events or conditions that may cast significant doubt.
 - (b) The right balance has been achieved by building on the foundational requirements of ISA 315 (Revised 2019), with a specific “going concern lens.” In addition, the structural links with ISA 315 (Revised 2019) are helpful to integrate the requirements into firm methodologies.

- (c) The new requirements and guidance are more effective as they emphasize the importance of timely and comprehensive consideration of going concern throughout the audit.
 - (d) The inclusion of examples relevant to scalability demonstrate how the nature and extent of the auditor's going concern audit procedures may vary based on the nature and circumstances of the entity.
65. Respondents who agreed with question 6 and provided comments or had concerns noted the following key matters in their feedback:

Elevating concepts from the application material to the requirements

- (a) Given their relevance to the proper application of the standard, respondents believed that the following concepts related to events or conditions that may cast significant doubt should be elevated from the application material to the requirements of ED-570:
 - The explanation that events or conditions are identified before consideration of any related mitigating factors included in management's plan for future actions (i.e., on a gross basis).
 - That the events or conditions need to be considered both individually and collectively.

Responsibility for the identification of events or conditions

- (b) Respondents commented that the drafting in paragraph 11 of ED-570 implies that the auditor, rather than management, has a direct responsibility for the identification of events or conditions that may cast significant doubt. In addition, views included that the proposed drafting implies that the auditor is required to perform risk assessment procedures to identify all events or conditions that may exist. Concerns included that the proposed drafting may:
 - Imply a shift in perceived responsibility between the auditor and management, given that in complying with the applicable financial reporting framework management has the primary responsibility for identifying and assessing events or conditions that may cast significant doubt.
 - Extends beyond what is required by ISA 315 (Revised 2019) as it places an obligation on the auditor to form a view on the existence of all events or conditions that may exist independently from management.
 - Exposes auditors to unfair challenge as it creates an open-ended requirement that may lead to legal exposure for auditors. Comments included that the auditor cannot predict the future, nor has the same level of knowledge about the entity as management and that what constitutes "an appropriate basis" is highly subjective and likely to be subject to differing interpretations.
- (c) Suggestions included to redraft the requirement by anchoring the auditor's obligation to identify events or conditions that may cast significant doubt based on the auditor's understanding obtained of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control. In addition, suggestions included to add application material that provides further context or boundaries to the auditor's understanding, the expected documentation and on the appropriate level of audit evidence to be obtained.

Other matters

(d) Respondents also commented that:

- There is overlap and duplication with the requirements in ISA 315 (Revised 2019) that may create the unintended expectation for a separate consideration and documentation for each of the matters addressed in both standards. Suggestions included to relegate the requirement in paragraph 12 of ED-570 to the application material.
- Certain proposals may be less relevant to audits of smaller entities or LCEs and may create challenges for auditors in certain circumstances (e.g., when an entity has limited or less formal financial planning, analysis and forecasting processes, or when the entity's governance structure is relatively simple). Suggestions included to address in the application material a scenario when it may still be appropriate for the auditor's risk identification procedures to be primarily based on inquiry and discussion, drawing on in-depth knowledge and experience of key individuals.
- A clear link should be provided in ED-570 between the design and performance of risk assessment procedures and how the auditor responds to the risks of material misstatement arising from identified events or conditions.
- The volume of application material in the section for risk assessment procedures and related activities is overwhelming and lengthy.

66. Respondents who disagreed with question 6:

- (a) Believed that the requirements in ED-570 are not consistent with ISA 315 (Revised 2019) and ISA 330²⁰ as they require the performance of audit procedures even where there is no risk of material misstatement related to going concern.
- (b) Noted similar matters as those explained in paragraph 65 above, including:
- The potential confusion between the responsibilities of the auditor and management to identify events or conditions that may cast significant doubt.
 - Creating an unreasonable expectation that the auditor is responsible to identify all events or conditions that may exist, which goes beyond the principles of ISA 315 (Revised 2019).
 - Setting onerous and too detailed requirements that may be challenging for auditors of smaller entities or LCEs to apply.
 - Duplicating requirements that are already addressed by ISA 315 (Revised 2019).

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-A:</i>	Para's. 11–15 and A6–A9, A11–A12, A15–A28
-------------------------------------------------------	--------------------------------------------------

Risk Assessment Procedures

67. The GC TF agrees with respondent's views that management has primary responsibility to identify events

²⁰ ISA 330, *The Auditor's Responses to Assessed Risks*

or conditions that may cast significant doubt. In addition, the GC TF discussed that applying the principles of ISA 315 (Revised 2019) in the context of going concern aims to support the auditor's identification whether any events or conditions that may cast doubt have been identified in addition to those identified by management.

68. The GC TF has clarified the wording in paragraph 11 of **Agenda Item 3-A** to convey more clearly the notion explained above, and in doing so aimed to retain the robustness of the proposal for the auditor to:
- (a) Perform risk assessment procedures in relation to going concern that are beyond inquiry and discussion when obtaining the understanding for the matters addressed by paragraph 12 of ED-570.
 - (b) Consider whether the audit evidence obtained from such procedures indicates that events or conditions exist that may cast significant doubt.

Elevating Concepts from the Application Material

69. The GC TF elevated to a requirement the explanation that events or conditions are identified on a gross basis (see paragraph 11 of **Agenda Item 3-A**). This is because such explanation is critical to support the auditor's consideration for events or conditions when performing risk assessment procedures and related activities.
70. However, the GC TF believes that the explanation that events or conditions need to be considered both individually and collectively is appropriate to be retained in the application material in paragraph A6 of ED-570. This is because the definition of Material Uncertainty (Related to Going Concern) sufficiently clarifies this matter. In addition, the GC TF believes that it is more logical for the explanation to remain in the application material where the examples are provided.

Other Matters from the Feedback

71. The GC TF believes that the matters addressed by the requirement in paragraph 12 of ED-570 continue to be those which are specific and most relevant to support the auditor's understanding for going concern. Because such matters clarify and help build consistency among firms and across jurisdictions when applying ISA 315 (Revised 2019), they should be retained in the requirements of ED-570, rather than relegated to the application material. In addition, to further support the application of those requirements in the context of smaller entities and LCEs, the GC TF intends to consider enhancements to the examples in paragraphs A13-A14 of ED-570 post June 2024, when addressing respondents' feedback for Scalability (i.e., question 3 of ED-570).
72. The GC TF also considered respondents comments to include additional aspects from ISA 315 (Revised 2019) into paragraph 12 of ED-570. However, the GC TF has not pursued such suggestions, given its view that the matters addressed are sufficiently comprehensive in applying a "going concern lens," without being repetitive of ISA 315 (Revised 2019).
73. In response to the feedback, the example in paragraph A12 of **Agenda Item 3-A** (second bullet) was extended to refer to models for prediction of bankruptcy or insolvency. Also, the words "*to identify* events or conditions" were replaced with "*related to* events or conditions," to align the drafting with the revisions proposed to the requirement in paragraph 11 of **Agenda Item 3-A**.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section III** above. In addition:

4. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the auditor's risk assessment procedures.

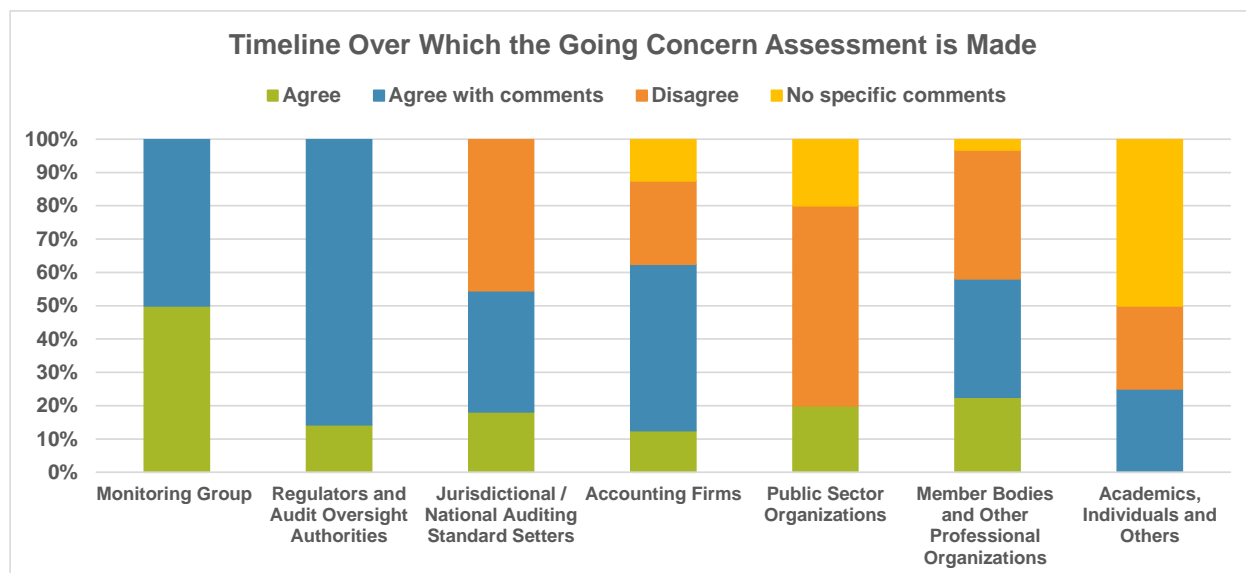
Section IV – Timeline Over Which the Going Concern Assessment is Made

Highlights from Respondents' Feedback

- Support for the rationale behind the IAASB proposals and broad recognition of the public interest benefits when going concern assessments include more relevant and current information. However:
 - Concern that the IAASB is stepping outside of its remit by imposing financial reporting requirements on management.
 - Mixed views about the practicality and effectiveness of the flexibility provided in the application material when management is unwilling to make or extend its assessment.
- Views that the requirements in IAS 1 should be aligned with the proposals in ED-570.
- Suggestions for:
 - Limiting the application of the requirement to apply only for audits of listed entities.
 - Refocusing the requirement to be conditional on circumstances when the auditor believes it is necessary for management to extend its assessment.
 - Deferring the proposals until the IASB undertakes a project to harmonize the requirements for management in IAS 1.

Overview of Responses

74. Question 7 asked respondents whether they supported the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in ED-570). In addition, when responding to question 7, respondents were asked to consider whether sufficient flexibility is provided in the application material for circumstances where management is unwilling to make or extend its assessment, but management is able to support the appropriateness of their use of the going concern basis of accounting.
75. The chart below shows an analysis of the responses to question 7 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.6 and 3-C.6** for further details).



Respondents' Comments

Monitoring Group Responses

76. The MG respondents believed that there is a considerable public interest benefit for requiring auditors to request management to extend their going concern assessment to at least twelve months of the date of approval of the financial statements so that it includes more current information. In addition, MG respondents noted that doing so would increase consistency globally, given that some jurisdictions have already amended their national equivalent auditing standards in this regard.
77. The MG respondents acknowledged that there are different timelines over which the going concern assessment is made in practice, dependent on both the jurisdiction and/or the applicable financial reporting framework, and suggested for the IAASB to:
- (a) Continue to engage with the IASB to encourage alignment in the commencement period of management's assessment in IAS 1 with the proposals in ED-570, recognizing that a more robust assessment by management drives better audit quality.
 - (b) Refocus the requirement on the responsibilities of the auditor to obtain sufficient appropriate audit evidence for a period of at least twelve months from the date of approval of the financial statements as defined in ISA 560.²¹ Doing so would impose an obligation on the auditor to request management to extend its assessment of going concern to the date of approval of the financial statements only in circumstances when the auditor believes it is necessary to do so to enable the auditor to obtain sufficient appropriate audit evidence. It would also remain a consistent approach with concepts discussed in ISA 200, including that the ISAs do not override laws and regulations that govern management's responsibilities to prepare financial statements.
 - (c) Enhance the application material to provide more robust guidance when determining whether sufficient appropriate audit evidence has been obtained in the context of the range of circumstances which might arise where management refuses to extend its going concern assessment.

²¹ ISA 560, *Subsequent Events*

Other Respondents' Comments

78. Respondents who agreed with question 7 believed that the proposed change would:
- (a) Be of value and relevance to intended users of financial statements given their economic decisions will be informed by more current information included in management's assessment of going concern.
 - (b) Support consistency in practice globally given that several national jurisdictions have already extended the commencement date in their national equivalent auditing standards.
79. Respondents who agreed with question 7 and provided comments or had concerns provided the following key perspectives in their responses:
- (a) The proposed extension of the twelve-month commencement date of management's assessment is already best practice on many audits and across jurisdictions as it enables more current information to be considered when assessing going concern.
 - (b) Aligning the period covered by management's assessment of going concern between financial reporting and auditing standards is in the public interest. While the proposed extension does not contradict the requirements of the IFRS Accounting Standards, it would create an inconsistency between the commencement date required by ED-570 and IAS 1.
 - (c) There were mixed views whether the proposed extension would cause concerns in practice equally for auditors and preparers. Certain jurisdictions who already extended the commencement date generally commented that their outreach with stakeholders did not note implementation issues. Other respondents shared mixed views from their outreach with preparers noting that while some supported the proposed extension, other were of the view that it would cause an additional burden on year-end processes. In addition, views included that the proposal may place the auditor in a difficult position when management is unwilling to extend the commencement date of the twelve-month period to the date of approval of the financial statements given such a date is not mandated by certain financial reporting frameworks, including IAS 1.
 - (d) It is important for the IAASB to continue to engage with accounting standard setters, such as the IASB to encourage convergence on this matter, e.g., encouraging to add to the IASB's standard setting agenda a project to align the timeline with the proposed change in ED-570.
80. Respondents who agreed with question 7 and provided comments or had concerns noted the following key matters in their feedback with respect to the flexibility provided for circumstances where management is unwilling to make or extend its assessment:
- (a) The flexibility, although helpful, may inhibit the consistent application of the required extension in the commencement date resulting in difficulties for auditors and for regulators.
 - (b) There is a potential conflict implied between the requirement for the auditor to request management in all cases to extend its assessment, and the flexibility provided in the application material allowing management to justify why it is not necessary to extend their assessment. Views included that the application material cannot override a requirement of the ISAs, and therefore may result in inconsistent application.
 - (c) Additional guidance is needed for the following key matters:
 - To clarify the auditor's recourse when a refusal to make or extend the assessment exists,

and whether this would constitute a scope limitation that leads to a modification of the auditor's opinion.

- Distinguishing between an unwillingness to make, and an unwillingness to extend management's assessment of going concern, given that the auditor is not able to perform procedures to compensate for management's lack of making an assessment.
- Provide additional examples of circumstances when it may be appropriate to limit the request to extend the commencement period to the date of approval of the financial statements (e.g., for not-for-profit and government organizations that are funded on an annual basis and management does not have an informed basis to perform a going concern assessment beyond that date).
- Guidance to encourage auditors to challenge management where they have limited the period to the minimum twelve months required but where there are circumstances that indicate that a longer assessment period would be more appropriate.

81. Respondents who disagreed with question 7 noted the following key matters in their feedback:

Setting requirements for management is outside the remit of the IAASB

- (a) Respondents believed that the proposed change for the period of management's assessment imposes financial reporting requirements for preparers through ED-570 given it overrides requirements in applicable financial reporting frameworks that prescribe the period of management's assessment or that set a minimum period. Views included that this could have unintended consequences such as:
- Legal and practical difficulties for auditors in certain jurisdictions, given that the change creates an inconsistency with financial reporting standards used in many jurisdictions.
 - Dictating management's responsibilities for preparing the financial statements, which may cause potential disagreements between the auditor and management.
 - Widening the expectation gap by imposing a greater responsibility on auditors than on management for assessing the entity's ability to continue as a going concern.
- (b) Respondents suggested to retain the approach in extant ISA 570 (Revised) for the auditor to cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework or by law or regulation if it specifies a longer period.

Corresponding change is necessary to the requirements in the financial reporting framework

- (c) Respondents supported strengthening the corresponding requirements for management in the applicable financial reporting framework. Views included that the public interest is best served when there are robust financial reporting requirements that align with the auditing standards and encouraged the IAASB to continue its efforts in engaging with the IASB to resolve the inconsistencies in the period of management's assessment of going concern.

Other matters

- (d) Respondents' comments also included that:
- The flexibility provided for circumstances where management is unwilling to make or extend

its assessment, although helpful, is not sufficient because application material cannot override a requirement. In addition, there may be reluctance to apply the flexibility given possible regulatory scrutiny.

- The proposal does not consider the assessed risks in relation to going concern as it warrants management to extend its assessment of going concern in all circumstances, rather than when events or conditions are identified that may cast significant doubt.
- There may be practical challenges and undue burden when applying the requirement to smaller entities, LCEs, and entities operating in the public sector (e.g., delays in obtaining audit evidence) or when auditing consolidated financial statements (e.g., the going concern assessments are likely to be different among the entities being consolidated in a group audit context).
- The application of the requirement should be limited to apply for audits of listed entities only, given that for such entities there is a greater interest by the public in their financial condition and they carry a higher risk profile, so it would be more relevant from a user perspective for the assessment to be based on more current information. In addition, listed entities are usually subject to tighter reporting timetables and are likely to prepare going concern assessments for a longer period than the minimum required because of the complexity of their operations and financing arrangements.

SAC Feedback

82. Views were sought from SAC members on whether the IAASB should retain its proposal to require the auditor to request management to extend its assessment of going concern if it covers a shorter period than at least twelve months from the date of approval of the financial statements. SAC members in general noted their support for the IAASB's rationale behind the proposal which is to support the public interest by providing more relevant, current, and decision-useful information to users of financial statements.
83. SAC members also provided the following key perspectives in their feedback:
- (a) There was concern among some SAC members that the IAASB is imposing financial reporting requirements on management and by doing so is stepping outside of its standard setting remit, given that the timeline over which the going concern assessment is made is a matter that should be addressed by accounting standard setting bodies.
 - (b) Some SAC members supported the proposal and shared views that it aligns with the approach taken in certain jurisdictions who require an extended commencement date in their national auditing equivalent standards as well as with current practices of audit firms. In addition, it was noted that because many entities already assess going concern for a longer period than the minimum twelve months period, the extension would not cause significant practical challenges for preparers.
 - (c) SAC members also suggested pursuing a conditional approach for the required extension that would only apply in certain instances (e.g., for audits of financial statements of listed entities or when going concern risks are identified) or to refocus the requirement on the auditor's responsibility to obtain sufficient appropriate audit evidence regarding the appropriateness of management's use of going concern basis of accounting.

GC TF Views and Recommendations

Relevant Paragraphs in **Agenda Item 3-A**:

Para's. 16, 21–23 and A28A, A42–A45

Views on the Feedback

84. The GC TF discussed that from the feedback, MG respondents and Regulators and Oversight Authorities stakeholder constituencies broadly supported the proposal for the auditor to request management to extend the twelve-month period of its assessment to the date of approval of the financial statements. Other stakeholder groups had mixed views, including views that agreed or disagreed, including views questioning the practicality of the proposal without a corresponding change in the applicable financial reporting framework. There were also mixed views from the outreach with users of financial statements for the proposals (see paragraph 10 of **Appendix 2**).
85. The GC TF discussed that there is a basis to retain the rationale for the proposal, with necessary refinement, given that:
- (a) Notwithstanding the mixed views, there was general recognition from the feedback among all stakeholder groups for the public interest value of going concern assessments to include more current and relevant information.
 - (b) There is an existing difference in the international financial reporting frameworks of the commencement date for management's assessment of going concern, which are, the end of the reporting period as required by IAS 1 and the date for approval of the financial statements as required by IPSAS 1. Accordingly, the proposals in ED-570 remain aligned with the timeline over which the going concern assessment is made as required by IPSAS 1.
 - (c) The nature of the requirement, together with the flexibility provided in the application material, remain a matter within the remit of the IAASB given they address a *request* from the auditor for management to extend its assessment.

Distinguishing Between Unwillingness to Make or to Extend an Assessment

86. Paragraph 16 of ED-570 requires the auditor to request management to make its assessment, where management has not performed an assessment of the entity's ability to continue as a going concern. Such assessment forms the basis for the auditor's evaluation, in all circumstances and irrespective of whether events or conditions have been identified. In addition, paragraphs 22-23 of ED-570 provide further requirements setting out the auditor's actions when management is unwilling to *make* or *extend* its assessment.
87. The GC TF discussed that the distinction in ED-570 should be clearer between management refusing to *make* an assessment or having made an assessment, management is unwilling to *extend* its assessment. This is because the actions of the auditor are different for each circumstance and the flexibility provided in the application material may be inappropriately interpreted that when management has not made any assessment, management may provide the auditor further information to support its lack of assessment.
88. In response, the GC TF has:
- (a) Removed the references to "make" from paragraphs 22, 23, A43 and A45 of **Agenda Item 3-A** to distinguish the circumstances as discussed in paragraph 87 above.
 - (b) Extended the requirement in paragraph 16 of **Agenda Item 3-A** to recognize that when

management is unwilling to make its assessment when requested to do so by the auditor, the auditor shall consider the implications for the audit.

- (c) Included new application material in paragraph A28A of **Agenda Item 3-A** explaining that a lack of assessment may be a limitation on the audit evidence the auditor is able to obtain. In addition, the application material refers to ISA 705 (Revised)²² to explain the consequences for the auditor's report that may be necessary when the inability to obtain sufficient appropriate audit evidence is pervasive to the financial statements. The application material in paragraph A45 of **Agenda Item 3-A** (second bullet) was aligned accordingly. In addition, post June 2024, to ensure that the flow of the standard remains clear and logical, the GC TF intends to consider the order for the placement of paragraphs A28A and A29-A31 of **Agenda Item 3-A**, after considering respondents feedback for evaluating management's assessment of going concern.

Requesting Management to Extend its Assessment

- 89. Respondents had various concerns and different suggestions for a way forward with respect to the approach for requesting management to extend its assessment, as required by paragraph 21 of ED-570. In considering respondents' views, the GC TF has the following observations and views:

Pursuing a Differential Approach to Request the Extension for Listed Entities Only

- (a) The GC TF is of the view that the requirement to extend the commencement date of the twelve-months period of management's assessment to the date of the approval of the financial statements is also relevant to unlisted entities given that there may be a significant time lag between the date of the financial statements and their approval date for all types of entities. The GC TF also discussed that the extant differential requirements in the ISAs only differentiate aspects related to communications with TCWG and when providing transparency in the auditor's report to intended users about aspects of the audit. On this basis, the GC TF believes that the proposed differential approach for the requirement would be inconsistent with the principle applied for the extant differential requirements in the ISAs.
- (b) The GC TF also discussed that there may be other possible consequences that would need to be considered should this approach be followed, for example, future updates to the International Standards on Review Engagements (ISREs) given these standards do not include differential requirements and because the going concern basis for accounting equally applies for reviews. Similarly, this may be restrictive to future updates to the ISA for Audits of Financial Statements of LCEs given that it would predetermine that it is not appropriate to apply the requirement for entities other than listed entities.

Approach Focused on the Auditor Obtaining Sufficient Appropriate Audit Evidence

- (c) The GC TF is of the view that the proposed construct for the requirement by the MG respondent should not be pursued (see paragraph 77(b)). This is because it does not adequately emphasize or may otherwise undermine that it is management's responsibility to make an assessment of going concern, which provides the basis for the auditor's evaluation of management's assessment. In addition, the GC TF notes that this approach is duplicative of paragraph 29 of ED-570 that already sets out an overarching requirement for the auditor to evaluate whether sufficient appropriate audit

²² ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

evidence has been obtained, and to conclude, on the appropriateness of management's use of the going concern basis of accounting.

Conditional Approach Based on the Assessed Going Concern Risk

- (d) The GC TF discussed that the conditional approach for the requirement (see paragraphs 81(d) and 83(c)) is inconsistent with the other work effort requirements proposed by ED-570 to evaluate management's assessment in all circumstances and irrespective whether events or conditions are identified. Also importantly, the GC TF believes this is a less robust approach than proposed by ED-570, given that an event or condition may occur in the period beyond management's assessment,²³ particularly when there is a longer timeframe between the date of the financial statements and the date of the auditor's report. Given these considerations the GC TF is of the view that the conditional approach should not be pursued.

Incorporating the Flexibility from the Application Material into the Requirement

- (e) The GC TF explored an approach to revise the requirement in paragraph 21 of ED-570, to incorporate concepts from the flexibility provided in the application material.²⁴ However, the GC TF believes that this approach should not be pursued because incorporating the flexibility into the requirement has unintended consequences. For example, it may imply that the auditor could accept additional information from management to support its going concern basis of accounting when the assessment period is shorter than the *at least* twelve months period.

Evaluating the Reasonableness of the Period of Management's Assessment

- (f) In developing ED-570, the GC TF previously explored including a requirement for the auditor to evaluate whether the period used by management to make its assessment is reasonable, based on the nature and circumstances of the entity. However, the proposed requirement was not pursued, in view of the Board's feedback that the drafting presented for the requirement was seen as inconsistent (or not necessary) with the required extension in paragraph 21 of ED-570 that applies to all circumstances. On the basis of these previous deliberations, the GC TF has not pursued these proposals again.
- (g) The GC TF also discussed that the standard already allows for an extended assessment period beyond what is prescribed by the applicable financial reporting framework given it refers to a *minimum period*, and is not restrictive should the auditor deem that a longer period is reasonable. In addition, the GC TF views are that the revisions proposed by ED-570 include a consideration to robustly address the impacts of events or conditions subsequent to the period of management's assessment (see paragraphs 20 and 28 of ED-570). Further, there is application material in the standard to encourage the auditor to challenge management

²³ Paragraph A40 of ED-570 explains that other than inquiry of management, the auditor does not have a responsibility to perform any other audit procedures to identify events or conditions that may cast significant doubt beyond the period assessed by management.

²⁴ The proposed revisions to the requirement in paragraph 21 of ED-570 under this approach include that if management assessment covers less than twelve months from the date of approval of the financial statements, for the auditor to (i) request management to provide additional information to support the appropriateness of management's use of the going concern basis of accounting; and (ii) when necessary, request management to extend its assessment period to at least twelve months from that date the date of approval of the financial statements.

irrespective of having complied with the minimum twelve-month assessment period, whether a longer period is necessary (see paragraph A41 of ED-570).

Proposed Way Forward

90. As discussed in paragraph 85, the GC TF believes that the requirement to request management to extend the commencement date of its assessment remains appropriate. Also, the GC TF does not believe that from the alternatives proposed from the feedback there is viable alternative to pursue. However, the GC TF discussed that further clarity for the paragraphs addressing the flexibility is helpful and has proposed to:
- (a) Enhance the lead-in to paragraph 23 of **Agenda Item 3-A** to clarify the “comply or explain” approach, including the expectation for the auditor to first discuss with management and TCWG and then to consider the implications for the audit if unable to obtain sufficient appropriate audit evidence about the appropriateness of the going concern basis of accounting. The GC TF has also retained the reference to the “implications for the audit” in the requirement, as it was intentionally scoped more widely than to consider the “implications for the auditor’s report” only.
 - (b) Added new application material in paragraph A44A of **Agenda Item 3-A** to emphasize that the level of detail and formality of management’s update to extend its assessment may vary from entity to entity and that a less formal update or lack of detailed analysis to support the update may not necessarily prevent the auditor from concluding on the appropriateness of management’s use of the going concern basis of accounting.

Other Matters from the Feedback

Date of Approval of the Financial Statements

91. Certain respondents commented that there may be jurisdictional differences as to what is understood by the date of approval of the financial statements, as well as that the applicable financial reporting framework may describe the approval date differently.²⁵ Suggestions included to define the “date of approval of the financial statements” in ED-570 and provide further guidance to clarify that the financial reporting framework may use different terms to describe this date.
92. The GC TF considered the CUSP Drafting Principles and Guidance for the definitions in the ISAs, including that terms defined in other ISAs are not repeated. On this basis, the GC TF believes that the cross-reference to the definition in ISA 560 remains appropriate, rather than repeating a definition for “date of approval of the financial statements” in ED-570.
93. The GC TF has proposed new application material in paragraph A42A of **Agenda Item 3-A** by leveraging IAS 10 by way of example only, given that the ISAs take a framework neutral approach. Also, in paragraph A42B of **Agenda Item 3-A**, the GC TF has proposed new guidance to highlight that the auditor may discuss with management the expected approval date at early stages of the audit to assist the auditor in complying with the requirement.

²⁵ For example, IAS 10 uses the term “date the financial statements are authorized for issue.”

Agreeing the Terms of Audit Engagements

94. Some respondents suggested that it may be helpful for the auditor to make management aware, at sufficiently early stages of the audit engagement, of the request to management for a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements. In response, the GC TF has included new application material in paragraph A42B of **Agenda Item 3-A** to address this matter.
95. The GC TF also intends to propose a conforming and consequential amendment for the following matters addressed by ISA 210:²⁶
- (a) Adding to the examples of matters that may be referenced in the engagement letter in paragraph A24 of ISA 210 to include the expectation of management to provide a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements.
 - (b) Illustrating in the example of an audit engagement letter in Appendix 1 of ISA 210 that additional information requested from management for the purpose of the audit may include a going concern assessment that covers a period of at least twelve months from the date of approval of the financial statements.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section IV** above. In addition:

5. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the timeline over which the going concern assessment is made.

Section V – Communication with TCWG

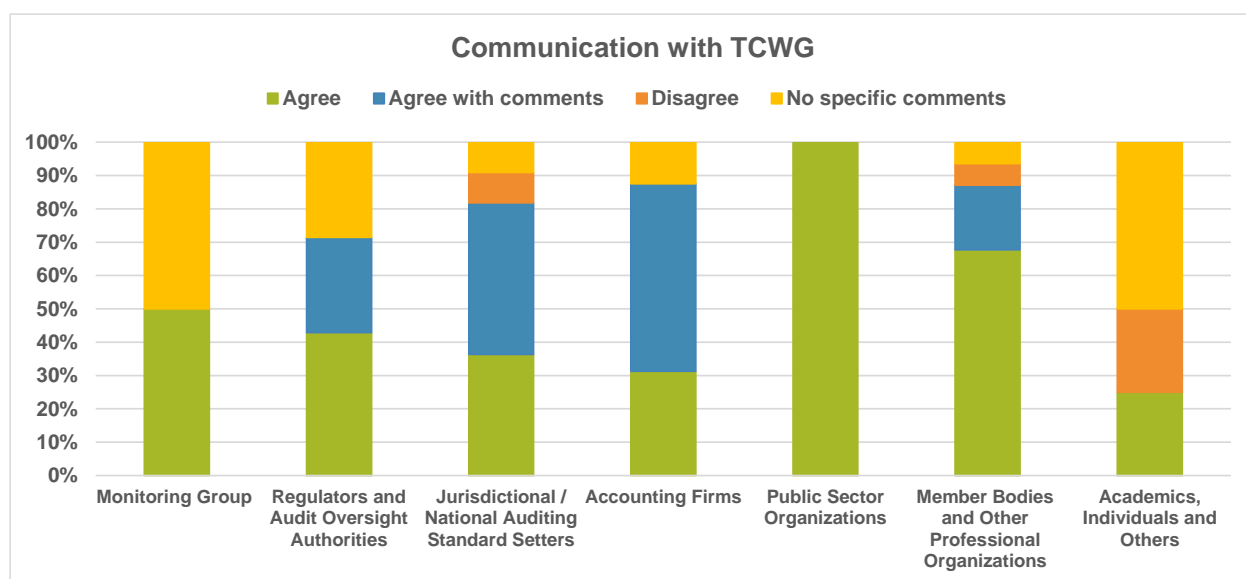
Highlights from Respondents' Feedback

- Support for the enhanced communications with TCWG.
- Opportunities for improvement:
 - Explicitly recognizing in the requirement the timeliness and ongoing nature of the two-way communications with TCWG.
 - Aligning more closely the wording of the requirement with the external communications to intended users in the auditor's report.
 - Providing further examples and guidance (e.g., to illustrate robust communications with TCWG throughout the audit and providing scalability examples when all TCWG are involved in managing the entity).

²⁶ ISA 210, *Agreeing the Terms of Audit Engagements*

Overview of Responses

96. Question 11 asked respondents if they agreed that the enhanced requirements and application material to communicate with TCWG encourage early, transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern.
97. The chart below shows an analysis of the responses to question 11 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.7 and 3-C.7** for further details).



Respondents' Comments

Monitoring Group Responses

98. The MG respondents expressed support for the enhancements to the requirements and application material to encourage transparent, two-way communications with TCWG about matters related to going concern.

Other Respondents' Comments

99. Respondents who agreed with question 11 commented that the proposed enhancements support the public interest as they enable timely, two-way communication between the auditor, management and TCWG and reinforce the effectiveness of the communication process about going concern. In addition, comments included that the new requirement to obtain an understanding of how TCWG exercise oversight over management's assessment of going concern as part of the risk assessment and related activities assists both:
- (a) Auditors, when obtaining sufficient appropriate audit evidence about going concern during early stages of the audit.
 - (b) TCWG, by enhancing their confidence in the audit that was performed through understanding the audit procedures performed for going concern and the basis for the auditor's conclusions.
100. Respondents who agreed with question 11 and provided comments or had concerns noted the following suggestions in their responses:

- (a) The wording of the requirement in paragraph 39 of ED-570 could be enhanced to:
- Explicitly recognize the importance of timely communication with TCWG throughout the audit engagement.
 - Align more consistently with the required external communication to intended users in the auditor's report.
 - Recognize that, when events or conditions are identified, the communication with TCWG also addresses the auditor's evaluation of management's assessment of going concern, in addition to the auditor's evaluation of management's plans for future actions.
- (b) The application material could be improved to address more comprehensively:
- Aspects that the communication with TCWG could cover (e.g., examples to encourage the auditor to discuss with TCWG going concern matters at regular meetings throughout the audit and linking to the required risk assessment procedures to obtain an understanding how TCWG exercise oversight over management's assessment of going concern).
 - Circumstances when all of TCWG are involved in managing the entity, or when there is less formal oversight of the entity by TCWG (e.g., addressing how the communication requirements with TCWG may apply to smaller entities or LCEs).

101. Respondents who disagreed with question 11 commented that the communication with TCWG in extant ISA 570 (Revised) is sufficiently robust to promote early, transparent dialogue between the auditor, management and TCWG and that no improvements are necessary. In addition, respondents believed that the timeliness of the communications with TCWG is not adequately conveyed by the requirement.

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-A:</i>	<i>Para's. 39–39A and A87–A89</i>
-------------------------------------------------------	------------------------------------------

Timeliness of the Two-Way Communications with TCWG

102. Acknowledging respondents' suggestions to be explicit in the requirement about the importance of timely communication with TCWG about matters related to going concern, the GC TF proposes to insert "on a timely basis" in the requirement in paragraph 39 of **Agenda Item 3-A**. Doing so would be consistent with the requirements in other ISAs (e.g., paragraph 42 of ISA 240²⁷, paragraph 21 of ISA 260 (Revised)²⁸ and paragraph 9 of ISA 265²⁹) that emphasize the timeliness of the communications with TCWG.

Mirroring the Wording of the Requirements Addressing the Implications to the Auditor's Report

103. The GC TF considered respondents suggestions that the wording of the requirements in paragraphs 39(a)-(b) of ED-570 should mirror the wording of the requirement in paragraph 33(a) of ED-570 addressing the implications to the auditor's report when providing explicit statements about going concern. However, the GC TF believes these suggestions are not critical or necessary changes to pursue given that the

²⁷ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

²⁸ ISA 260 (Revised), *Communication with Those Charged with Governance*

²⁹ ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

requirements in paragraphs 39(a)-(b) of ED-570 remain consistent with those addressing the implications to the auditor's report.

104. The GC TF also discussed that the communication with TCWG is to facilitate ongoing, timely, two-way communications and is of a different nature and purpose compared to the statements required to be communicated in the auditor's report which aim to provide transparency externally through explicit statements about the auditor's responsibilities and work related to going concern. In addition, unlike the communications externally to users through the auditor's report, the communication with TCWG may not always be made at the stage of the auditor's final conclusion with respect to going concern.

Communication About the Auditor's Evaluation of Management's Assessment of Going Concern

105. The GC TF bifurcated the requirement in paragraph 39 of **Agenda Item 3-A** and emphasized in paragraph 39A of **Agenda Item 3-A** that the auditor communicates with TCWG the auditor's evaluation of management's assessment of going concern. This was because, although implicit in paragraphs 39(a)-(b) of ED-570, having no explicit reference in the requirements that the auditor's communication includes matters relevant to the auditor's evaluation of management's assessment may be seen as incomplete and unclear.

Enhancing the Application Material and Examples

106. Respondents to ED-570 supported further examples and guidance to illustrate robust communications with TCWG throughout the audit by linking to the required risk assessment procedures to obtain an understanding how TCWG exercise oversight over management's assessment of going concern. In response, the GC TF has included new guidance in paragraph A87A of **Agenda Item 3-A** to address this matter.
107. The GC TF also considered respondents comments to provide guidance addressing circumstances when all of TCWG are involved in managing the entity. However, the GC TF believes that doing so would be duplicative of ISA 260 (Revised) that already sets out the auditor's responsibilities, and provides guidance, when all of TCWG are involved in managing the entity. The GC TF also believes that the lead-in of the requirement in paragraph 39 of ED-570 and the cross-reference to paragraph 13 of ISA 260 (Revised) remain sufficient to support clear linkage between these standards.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section V** above. In addition:

6. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the communication with TCWG.

Section VI – Communication with Appropriate External Parties

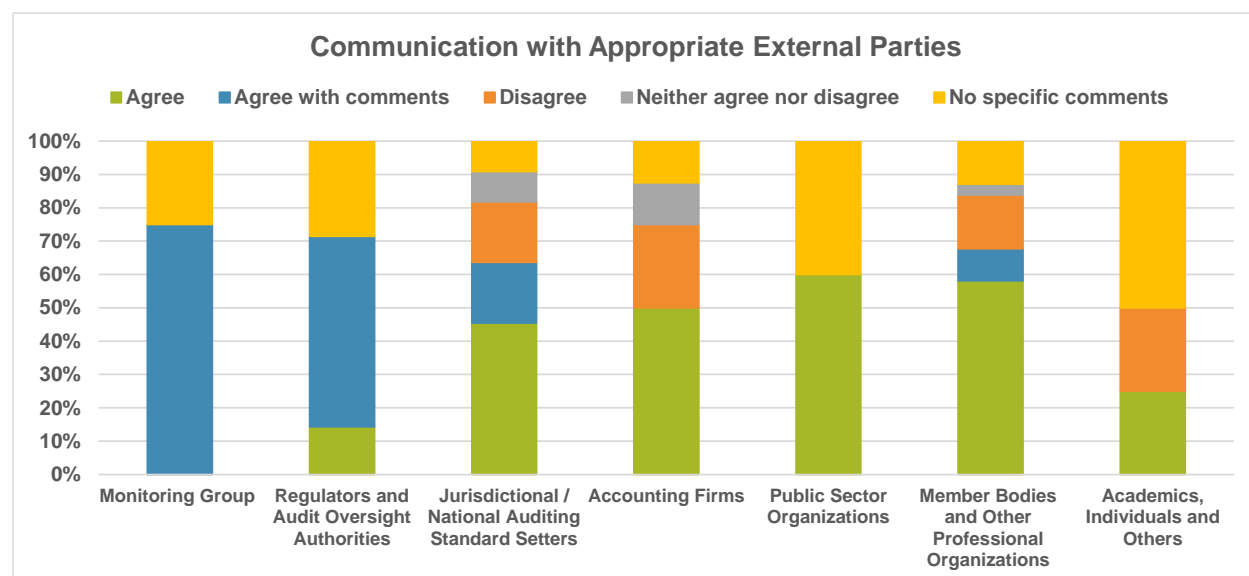
Highlights from Respondents' Feedback

- Broad recognition for the public interest value when the auditor communicates significant going concern matters to appropriate authorities outside of the entity.
- Encouragement to strengthen the application material to promote early and timely communications when significant going concern issues are identified.
- Views that the requirement:
 - Should be strengthened, to require reporting of significant going concern matters to an appropriate authority and providing the communication regardless of whether law, regulation, or relevant ethical requirements impose reporting obligations.
 - Does not add value, given it is conditional on mandatory requirements already established by national laws or regulations.

Overview of Responses

108. Question 12 asked respondents if they supported the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting.

109. The chart below shows an analysis of the responses to question 12 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.8 and 3-C.8** for further details).



Respondents' Comments

Monitoring Group Responses

110. The MG respondents recognized the public interest value of providing transparency to an appropriate authority outside of the entity about significant going concern matters and suggested that the IAASB:

- (a) Continue to closely coordinate with the International Ethics Standards Board for Accountants (IESBA) when addressing the communication with appropriate external parties at sufficiently

early stages.

- (b) Consider whether ED-570 could be further strengthened, by requiring the auditor to inform appropriate authorities of significant going concern matters even where no such responsibilities exist under law, regulation, or relevant ethical requirements.
- (c) Include guidance that would encourage the auditor to engage with appropriate authorities during early stages of the audit and prior to the issuance of an auditor's report with a Material Uncertainty Related to Going Concern section or a modification with respect to going concern.

Other Respondents' Comments

111. Respondents who agreed with question 12, supported the new requirement and application material for the auditor to report to an appropriate authority outside of the entity because it:
- (a) Assists the auditor to fulfill its role within the financial reporting ecosystem to act in the public interest (e.g., by facilitating transparency and providing early warning mechanisms to regulatory and other authorities to enable timely corrective actions and interventions when necessary).
 - (b) Aligns with the auditor's responsibilities in jurisdictions where national laws or regulations have established requirements to report to regulatory, enforcement, supervisory or other appropriate authorities outside the entity and assists the auditor to comply with those requirements.
 - (c) Is consistent with similar requirements established in ISA 240, ISA 250 (Revised)³⁰ and the NOCLAR provisions of the IESBA Code.³¹
 - (d) Aligns with expectations for public sector auditors to escalate significant going concern matters to the appropriate level of governmental authority.
112. Respondents who agreed with question 12 and provided comments or had concerns generally believed the requirement and application material should be strengthened by:
- (a) Requiring the auditor to report significant going concern matters to an appropriate authority and to communicate with appropriate external parties regardless of whether national laws, regulations, or relevant ethical requirements impose reporting obligations, subject to any specific prohibition to do so.
 - (b) Providing guidance to encourage early communication of relevant going concern matters at the point when they are identified, rather than at the point when the auditor's report is issued.
 - (c) Enhancing the references in the application material to the NOCLAR provisions of the IESBA Code, given they may also be relevant, depending on the circumstances encountered during the audit engagement.
113. Respondents who disagreed with question 12 commented that the requirement to communicate with appropriate external parties is redundant, unnecessary, and does not add value because it reiterates mandatory legal, regulatory, or other communication requirements that may exist in jurisdictions.

³⁰ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

³¹ See [Section 360, Responding to Non-compliance with Laws and Regulations](#) of the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Suggestions included removing the requirement and the related application material, relegating the requirement to application material, or cross-referencing to the requirements in ISA 250 (Revised) for communicating and reporting suspected non-compliance with laws and regulations.

114. Respondents who neither agreed nor disagreed with question 12 in general did not object to the new requirement to report to an appropriate entity outside of the entity given it is conditional on requirements established by law, regulation, or relevant ethical requirements. However, respondents questioned the effectiveness of such obligation, given that the auditor must comply with laws or regulations regardless of requirements established by the ISAs. Views also included that the requirement may be more suitable for regulated entities due to their higher risk profile and public interest characteristics, rather than to apply in all circumstances.

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-A:</i>	<i>Para's. 40 and A90–A93</i>
-------------------------------------------------------	--------------------------------------

Emphasizing the Benefit of Reporting Going Concern Matters to External Parties

115. The GC TF deliberated feedback from certain respondents, including MG respondents and Regulators and Audit Oversight Authorities, who suggested extending the requirement to apply regardless of law, regulation or ethical requirements, unless prohibited to do so. However, the GC TF is of the view that it is not possible for the IAASB to develop a globally operable requirement (and supporting guidance) that would be broadly applicable to all the various jurisdictional situations that may arise. Consequently, the GC TF retained its view that national law or regulation are the proper means for establishing specific requirements to report to an appropriate authority outside of the entity.
116. In reaching its view, the GC TF also considered the qualitative standard-setting characteristics of the PIF for assessing standards' public interest responsiveness, and believes that pursuing a requirement to apply regardless of law, regulation or ethical requirements, would be inconsistent with the desire for:
- (a) *Implementability* and ability of being *consistently applied and globally operable*. For example, the approach could cause practical difficulties for auditors in its application and risks being inconsistently applied both within and across jurisdictions (e.g., when identifying an appropriate authority to communicate with and whether there is an authority in all jurisdictions that is able to receive and respond to the information, or for the communication process the auditor should follow considering jurisdictional variations).
 - (b) *Coherence* with the overall body of standards, given that such an approach would be inconsistent with similar requirements already established by paragraph 44 of ISA 240, and paragraph 29 of ISA 250 (Revised), as well as with requirements proposed in the Exposure Draft for Proposed ISA 240 (Revised) (ED-240).³²
117. However, the GC TF discussed that there is merit to pursue respondents' suggestions to provide a stronger message in the application material to encourage auditors to consider reporting significant going concern matters to an appropriate authority where the auditor has no such responsibilities established under law or regulation. In response, the GC TF has proposed enhancements to the

³² See the [Exposure Draft \(ED-240\), Proposed ISA 240 \(Revised\): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#).

application material in paragraphs A91 and A92 of **Agenda Item 3-A**, and in doing so have also included an example enhancing the references in the application material to the NOCLAR provisions of the IESBA Code. Post June 2024, the GC TF also intends to seek views and coordinate with the IESBA on the proposed enhancements to the application material.

Encouraging Early and Timely Communication with Appropriate External Parties

118. The GC TF has enhanced the application material in paragraph A90 of **Agenda Item 3-A** to emphasize and encourage early and timely communication with appropriate external parties at the point in time when the going concern issues are identified rather than when they are reported in the auditor's report.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section VI** above. In addition:

7. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the communication with appropriate external parties.

Section VII – Explicit Statements About Going Concern in the Auditor's Report

Highlights from Respondents' Feedback

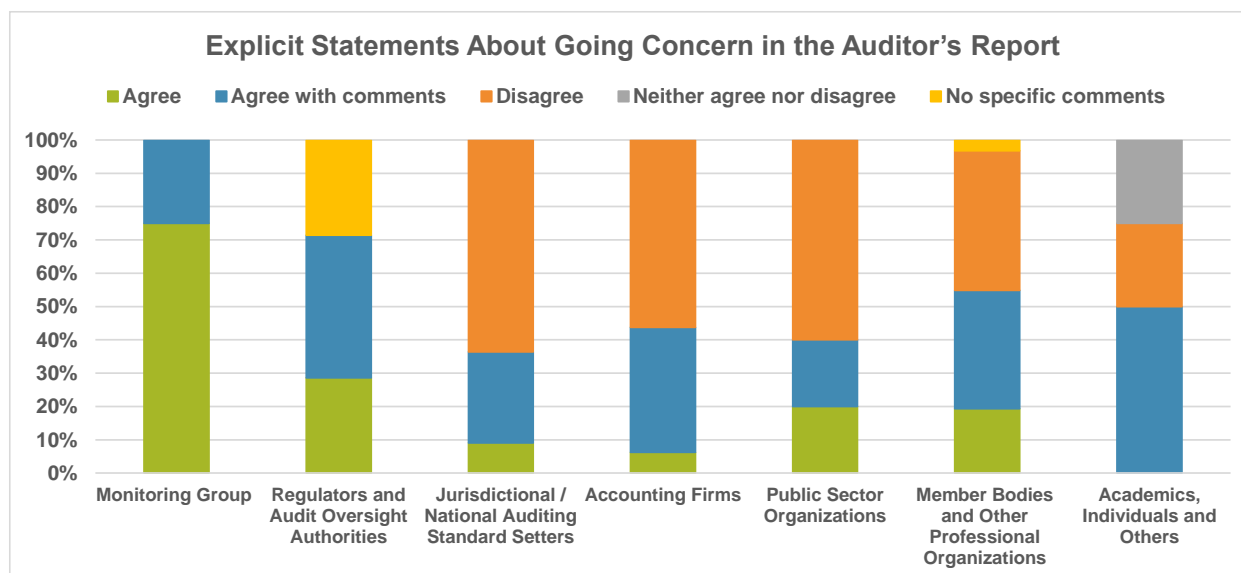
- Mixed views about the proposed statements and concerns for the:
 - Unintended consequence of widening the expectation gap.
 - Misalignment between management's and the auditor's responsibilities and creating a perception that the auditor has greater responsibility than management for going concern.
 - Risk of becoming a boilerplate disclosure that is overlooked by intended users.
- Encouragement for clarifying that the explicit statements not to imply a guarantee about on the future viability of the entity or to provide a perception of an opinion on a discrete matter in the audit.

Overview of Responses

119. Question 13 sought views from respondents on the implications for the auditor's report for audits of financial statements of all entities, to communicate in a separate section in the auditor's report (i.e., either under the heading "Going Concern" or "Material Uncertainty Related to Going Concern"), explicit statements about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether a material uncertainty has been identified. In this regard, respondents were asked whether:

- They support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern.
- The explicit statements provide useful information for intended users of the audited financial statements.
- The proposals enable greater consistency and comparability across auditor's reports globally.

120. The chart below shows an analysis of the responses to question 13 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.9 and 3-C.9** for further details).



Respondents' Comments

Monitoring Group Responses

121. The MG respondents supported providing explicit statements and commented that the inclusion of a new section in the auditor's report with the heading "Going Concern" or "Material Uncertainty Related to Going Concern" for all entities:

- (a) Supports the public interest by providing transparency to users of financial statements that the auditor has fulfilled their responsibilities in accordance with ED-570.
- (b) Aligns with the auditor's responsibilities as required by ISA 700 (Revised)³³ leading to enhanced communication for intended users of financial statements, thereby reducing the expectation gap.
- (c) Supports consistency in auditor reporting globally without adding boilerplate wording to the auditor's report.

122. One MG respondent commented that the wording of the explicit statements should be improved to avoid creating an impression of providing an opinion on a discrete matter in the audit. Suggestions included to add to the statements that they are provided in the context of the audit of the financial statements as a whole when forming the auditor's opinion.

Other Respondents' Comments

123. Respondents who agreed with question 13 supported the explicit statements about going concern in the auditor's report given they:

- (a) Are consistent with the objective to enhance transparency and accountability with respect to

³³ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

the auditor's responsibilities and work related to going concern and respond to stakeholder demands for enhanced transparency about going concern in the auditor's report.

- (b) Help narrow the expectation gap because they communicate to intended users of financial statements the outcome of the auditor's evaluation of management's assessment of going concern. Also, in the absence of a material uncertainty, they do not leave users to infer about the auditor's conclusion about the appropriateness of management's use of the going concern basis of accounting.
 - (c) Provide prominence to going concern in a separate section of the auditor's report, given it is a fundamental and pervasive principle in the preparation of the financial statements.
 - (d) Enable greater consistency and comparability across auditors reports in jurisdictions and globally as all going concern matters are presented in a single section of the auditor's report, rather than being fragmented between different sections.
 - (e) Aligns with initiatives in certain jurisdictions who have undertaken similar revisions in their national equivalent auditing standards that have positively enhanced user understanding of the auditor's responsibilities and work in relation to going concern.
124. Respondents who agreed with question 13 and provided comments or had concerns noted the following key matters in their responses:

Guarantee on the future viability of the entity

- (a) Comments were made that the explicit statements should be clarified to align with the statement required to be included in the Auditor's Responsibilities for the Audit of the Financial Statements section of the auditor's report. Suggestions included to supplement the statements with the following explanations:
 - That the scope of an audit does not include assurance on the future viability of the entity.
 - That the auditor's conclusion is not a guarantee of the entity's ability to continue as a going concern, because the auditor's conclusion is based on the audit evidence obtained as of the date of their report.
 - That the auditor cannot predict future events or conditions which may negatively affect the entity's ability to continue as a going concern.
 - That even in the absence of a reference to an identified material uncertainty in the auditor's report, this is not a guarantee that the entity will continue as a going concern.

Opinion on a discrete matter in the audit

- (b) Respondents were concerned that the explicit statements may be misinterpreted on the extent of assurance that the auditor is providing in relation to going concern, especially given the prominence provided to the new sections on Going Concern or Material Uncertainty in Related to Going Concern in the overall auditor's report. To avoid such impression, suggestions included to explicitly state that the statements are provided in the context of the audit of the financial statements as a whole and that they do not provide a separate opinion on a discrete matter in the audit.

Misalignment between the responsibilities of management and the auditor in relation to going concern

- (c) Respondents fundamentally questioned whether it is appropriate to require the auditor to provide explicit statements about going concern when management is not required to provide such statements under the applicable financial reporting framework. Concerns included that this may imply a greater responsibility by the auditor than management for going concern and risk widening the expectation gap. Suggestions included that the requirements in IAS 1 should be strengthened to require management to provide corresponding explicit disclosures about going concern in the financial statements in all circumstances.

Other matters

- (d) Respondents' comments also included suggestions for the Going Concern or Material Uncertainty in Relation to Going Concern sections of the auditor's report, including to:
- Reallocate the responsibilities of the auditor and management in relation to going concern into these sections.
 - Prescribe the placement of these sections to follow the Basis for Opinion section within the overall auditor's report.
 - Consider whether the proposed headings for the sections are appropriate to convey understandability of the matters they address.

125. Respondents who disagreed with question 13 noted the following key matters in their feedback:

Misalignment between the responsibilities of management and the auditor in relation to going concern

- (a) Respondents believed that the proposals to provide explicit statements about going concern in the auditor's report without corresponding statements provided by management that are disclosed in the financial statements, will create misalignment between the responsibilities of management and auditors. Views included that auditors should not be making implicit management assertions in the financial statements explicit through the auditor's report as this constitutes providing original information on an entity's appropriate use of the going concern basis of accounting. In addition, comments included that doing so may have the unintended consequence of creating a false perception among users that auditors have a greater responsibility for considering going concern than management or are doing more to prevent corporate failures.
- (b) Respondents urged the IAASB to undertake further research as well as consider all potential consequences before moving forward with the proposals, given that it may desensitize accounting standard setters to consider further improvements to the responsibilities for management in the financial reporting framework. Suggestions included for the IAASB to continue to collaborate with accounting standard setters, and in particular with the IASB, to encourage them to include the equivalent requirements for management when preparing the financial statements.

Do not provide useful or relevant information to users

- (c) Respondents' views included that the proposed statements provide little or no informational value given that users may not understand the criteria used by management on which the auditor's conclusion is based. In addition, comments were made that the statements may:
- Cause confusion and misunderstanding (e.g., the required auditor's statement on the

appropriateness of the use of the going concern basis of accounting in the financial statements could be misunderstood by financial statement users as a positive affirmation or opinion on the viability of the entity to continue as a going concern).

- Have an unintended consequence of widening the expectation gap (e.g., create a false impression that the primary responsibility for assessing the entity's ability to continue as a going concern lies with the auditor or that the auditor is providing assurance on the entity's ability to continue as a going concern).
- Risks becoming a boilerplate disclosure that is overlooked (e.g., providing a standardized section in every auditor's report may risk for this section to be overlooked in circumstances when there is something to report that requires users' attention).

Encouragement for retaining the extant exception-based reporting model

- (d) Respondents supported the exception-based reporting model in extant ISA 570 (Revised) given the view that when there is no material uncertainty the proposed explicit statements are unnecessary as the auditor's opinion already addresses the matters covered by the statements implicitly. In addition, views included that reporting on going concern in all instances undermines the informational value of the auditor's report when there are going concern issues to highlight.

Other matters

- (e) Respondents also commented that:

- Users may take a greater level of comfort and may perceive that the auditor is conveying a greater level of assurance than what the auditor is required to obtain.
- Requiring conclusions about the auditor's going concern assessment when no events or conditions have been identified and no material uncertainty exists may be viewed by users as a guarantee about the entity's ability to continue as a going concern.
- The undue prominence to one financial statement assertion over others, and the proximity of the explicit statements to the auditor's opinion could create confusion and misunderstanding among users that the auditor is providing a specific opinion on the entity's ability to continue as a going concern (i.e., "piecemeal opinion").
- There is already relevant and sufficient information provided for going concern in the auditor's report in the sections on the auditor's and management's responsibilities.

126. Respondents who neither agreed nor disagreed with question 13 shared insights from an experimental academic study that compared investor responses when provided with an auditor's report in the "new format" (i.e., prepared under ED-570) compared to the "current format" (i.e., prepared under extant ISA 570 (Revised)) in two experiments as follows:

- (a) The first experiment compared investor responses when an auditor's report included an unmodified or a modified opinion. The outcome of the experiment indicated that investors reported that they had fairer warning when informed that the company had subsequently closed down when they had received an auditor's report in the "new format" compared to those that received the auditor's report in the "current format."

- (b) The second experiment compared investor responses when an auditor’s report included a Material Uncertainty Related to Going Concern in the “new format” (including a description of how the auditor evaluated management’s assessment) and the “current format.” In addition, investors either received no management commentary, commentary that uses soft language or commentary that uses strong language. The outcome of the experiment indicated that investors responded in the same way under the “new format” and “current format” auditor report formats. However, the study found that when management commentary on the issue is disclosed, investors perceive the likelihood that the company will remain in operation, return to profit and pay off its debts is lower than when no commentary is included. They also perceived that their investment in the company is riskier and less attractive when management commentary is included. In addition, it was found that the tone (soft versus strong language) used in the management commentary impacts how investors feel about the reliability of the information, with investors perceiving that management are more reliable when the commentary is strongly worded than when it is softly worded.

SAC Feedback

127. In April 2024, some SAC members supported the explicit statements about going concern in the auditor’s report and commented that they promote the public interest as they convey to user’s greater understandability that the auditor has focused on going concern as a critical aspect in the audit as well as that they provide transparency about the auditor’s work and responsibility in relation to going concern.
128. Other SAC member perspectives included:
- (a) Concerns that by providing statements in the auditor’s report when management is not required to provide corresponding statements in the financial statements may risk widening the expectation gap as users may misunderstand that the auditor, rather than management, has greater responsibility to safeguard the entity’s ability to continue as a going concern.
 - (b) Suggestions to consolidate the sections on the respective management and the auditor responsibilities in relation to going concern together with the explicit statements so that a more cohesive story can be told in one place of the auditor’s report.
 - (c) Views that the proposals will impact the length of the overall auditor’s report. In addition, the focus on going concern may be perceived as providing more prominence to the auditor’s work for this management assertion relative to others.

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-A:</i>	<i>Para’s. 33(a), 34(a), 34(f), 35(c); A67–A70, A79–A81 and Illustrations 1-6 in the Appendix</i>
-------------------------------------------------------	----------------------------------------------------------------------------------------------------------

Views on the Feedback

129. The GC TF discussed that from the feedback, MG respondents and Regulators and Oversight Authorities stakeholder constituencies broadly supported the proposals to communicate explicit statements about going concern in the auditor’s report. There were messages in the feedback from these respondents that emphasize the public interest value of providing transparency to users of financial statements that the auditor has fulfilled their responsibilities in relation to going concern. Also, from the outreach with users of financial statements, there was support for the explicit statements, including comments that they are

useful and are an improvement compared to the extant exception-based reporting model (see paragraph 6 of **Appendix 2**). Other stakeholder groups had mixed views, including views that both agreed or disagreed, cautioning about the unintended consequence of widening the expectation gap by creating a perception that the auditor has greater responsibility than management for going concern.

130. The GC TF is of the view that on the basis of the feedback across all stakeholder constituencies, the explicit statements in the auditor's report about going concern should be retained but refined, so they continue to convey relevant information to intended users of audited financial statements about the auditor's responsibilities and work related to going concern in a concise and understandable manner. The GC TF also believe this remains an accountable approach in relation to the established public interest project objective to strengthen the communication and reporting requirements of ISA 570 (Revised), that was informed through the IAASB's information gathering and research activities on going concern, including from the Discussion Paper.³⁴

Responsibilities of Management and Auditors in Relation to Going Concern

131. The GC TF discussed that a prominent perspective in the feedback were concerns that by providing explicit statements in the auditor's report about going concern, this risks misalignment between management's and the auditor's responsibilities in relation to going concern given that management is not required to provide equivalent statements in the financial statements.
132. The GC TF notes that the Auditor's Responsibility for the Audit of the Financial Statements section of the auditor's report already includes the responsibilities of the auditor in relation to going concern as required by paragraph 39(b)(iv) of ISA 700 (Revised). In developing ED-570, the GC TF aligned the explicit statements about going concern with the wording of the auditor's responsibilities already provided in the auditor's report. In addition, in accordance with paragraph 33(b) of ISA 700 (Revised), the section of the auditor's report on the Responsibilities of Management for the Financial Statements requires an explanation of management's responsibility to assess the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate, as well as disclosing, if applicable, matters relating to going concern.
133. Some respondents suggested to accumulate all of the statements related to going concern in the auditor's report collectively (i.e., management's responsibilities, the auditor's responsibilities and the auditor's explicit statements) "to tell the full story" in one place, or to relocate the auditor's responsibilities for going concern under the section for Going Concern to eliminate repetition. In considering these suggestions, the GC TF discussed that:
- (a) The auditor's and management's responsibilities address matters beyond going concern, such as their respective responsibilities in relation to fraud. Should the going concern responsibilities be relocated only, then this approach could be seen as inconsistent with the IAASB's approach for fraud proposed by ED-240.
 - (b) Having explicit sections in the auditor's report dealing with management's and the auditor's responsibilities was an important revision introduced to ISA 700 (Revised) as part of the Auditor Reporting project.

³⁴ Discussion Paper (DP), [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit](#)

- (c) Pursuing these proposals would necessitate changes to several requirements in ISA 700 (Revised) and would also require reconsideration about decisions previously made by the IAASB as part of the Auditor Reporting project. For example, it may require further considerations related to the permitted flexibility in the placement of the description of the auditor's responsibilities, to deal with concerns about the increased length and standardized language of the auditor's report.³⁵
134. Paragraph A68 of ED-570 explains that the explicit statements about going concern represent the minimum information presented and that the auditor may provide additional information to supplement the required statements. The GC TF believes that this paragraph can be leveraged in developing a solution for the matter discussed in paragraph 133 above by adding an example in the application material that the auditor may cross-reference from the section on Going Concern to the respective responsibilities of the auditor and management with respect to going concern (see paragraph A68 of **Agenda Item 3-A**). In addition:
- (a) The phrase "for all entities" has been removed from the paragraph so as not to imply that all illustrations in the Appendix of proposed ISA 570 (Revised 202X) apply for all entities, (i.e., illustrations 2, 4-5 illustrate an auditor's report of a listed entity).
 - (b) The GC TF has amended the circumstances in illustration 2 of the Appendix in **Agenda Item 3-A** to demonstrate how such a cross-reference can be provided in the auditor's report.

Opinion on a Discrete Matter in the Audit

135. Suggestions from the feedback included to leverage concepts from ISA 701 to clarify that the explicit statements about going concern do not imply an opinion on a specific matter in the audit in addition to the opinion on the financial statements as a whole. In this respect, the GC TF discussed that:
- (a) Paragraph 11(b) of ISA 701 prescribes the introductory language of the KAM section of the auditor's report. This paragraph requires stating that KAM were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on the KAM. The GC TF notes that there is no equivalent requirement in ED-570.
 - (b) Paragraph A47 of ISA 701 provides further guidance for the language used in the description of a KAM. This paragraph explains that in order for intended users to understand the significance of a KAM in the context of the audit of the financial statements as a whole, care is necessary for the language used in providing the description and cautions against implying discrete opinions on separate elements of the financial statements. The GC TF notes that similar guidance is included in paragraph A75 of ED-570.
136. On this basis, the GC TF leveraged the concepts of ISA 701 to propose clarifying language in paragraphs 33(a)(i), 34(a) and 35(c) of **Agenda Item 3-A** that the auditor's conclusion on the appropriateness of management's going concern basis of accounting is provided in the context of the audit of the financial statements as a whole and in forming the auditor's opinion thereon. Alignment changes were also

³⁵ For example, considerations related to circumstances when the description of the auditor's responsibilities for the audit of the financial statements is permitted to be provided in an appendix to the auditor's report or on a website of an appropriate authority as prescribed by paragraphs 41-42 of ISA 700 (Revised).

proposed to the illustrative auditor's reports 1-6 in the Appendix of **Agenda Item 3-A**.

Guarantee on the Future Viability of the Entity

137. The GC TF discussed suggestions from the feedback for reinforcing the explicit statements to require a statement that the scope of an audit does not include assurance on the future viability of the audited entity. Also, the GC TF discussed feedback that because no time-period is specified in the explicit statements, they may be interpreted as statements guaranteeing the entities ability to continue as a going concern in perpetuity.
138. The GC TF notes that:
- (a) When describing the auditor's responsibilities, paragraph 39(b)(iv) of ISA 700 (Revised) requires the auditor to state that the auditor's conclusions about going concern are based on the audit evidence obtained up to the date of the auditor's report. In addition, the statement highlights that future events or conditions may cause an entity to cease to continue as a going concern.
 - (b) Paragraph 7 of ED-570 refers to ISA 200 and explains the potential effects of matters that may affect the inherent limitations on the auditor. Among other matters it explains that the auditor cannot predict future events or conditions that may cause an entity to cease to continue as a going concern and that the absence of a reference to an identified material uncertainty in an auditor's report cannot be viewed as a guarantee to the entity's ability to continue as a going concern.
139. The GC TF believes it is in the public interest to provide additional context for the explicit statements about going concern in the auditor's report, consistent with the matters discussed in paragraph 137 above (see paragraphs 33(a)(iii), 34(f), 35(c)(iii) and illustrative reports 1-6 in the Appendix of **Agenda Item 3-A**). This is because such context would support users understanding and minimize the likelihood that users may misinterpret the auditor's responsibilities and conclusions about management's use of the going concern basis of accounting. In reinforcing the required statements, the GC TF remained mindful not to require extensive explanatory language to the statements to prevent repetition for the overall auditor's report.

Clarity for the Meaning of the Going Concern Basis of Accounting

140. Some respondents were concerned that users may misinterpret the level of assurance provided by the auditor when concluding on the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements. The GC TF deliberated that paragraph 2 of ED-570 provides explanation for what the going concern basis of accounting means, i.e., that management does not intend to liquidate the entity or to cease operations or has no realistic alternative but to do so. This explanation remains consistent with definitions and explanations provided in recognized international financial reporting frameworks, such as the IFRS Accounting Standards and the standards of the IPSASB.
141. The GC TF explored whether this explanation should be added to the required explicit statements in the auditor's report, however decided against pursuing providing such clarification, given that it would complicate the required statements and unnecessary extend their length. The GC TF however believes that the meaning of the going concern basis of accounting is an important clarification to provide in implementation support materials and in the Basis for Conclusions.

Other Matters from the Feedback

142. Some respondents suggested prescribing the placement of the section on Going Concern and Material Uncertainty Related to Going Concern in the overall auditor's report and changing the headings of the sections to "Going Concern Basis of Accounting" and "Material Uncertainty Related to the Going Concern Basis of Accounting." The GC TF proposes that these suggestions should not be pursued given that:
- (a) With the exception of the placement of the Opinion and Basis for Opinion sections, ISA 700 (Revised) does not prescribe the placement for the other elements of the auditor's report, including for KAM. In addition, the GC TF believes that there are sufficient examples that can be leveraged with respect to the placement of the section on Going Concern and Material Uncertainty Related to Going Concern in the overall auditor's report in various circumstances given that all the illustrative auditor's reports across the other ISAs have been addressed through conforming and consequential amendments.
 - (b) The title of the headings for the section on Going Concern and Material Uncertainty Related to Going Concern adequately describe the matters addressed by the respective sections, remain consistent with broadly recognized terminology used in both accounting and auditing standards (including with the title of proposed ISA 570 (Revised 202X)), as well as with the extant title of the Material Uncertainty Related to the Going Concern section of the auditor's report. Also, pursuing different headings may cause perceived inconsistencies with the proposed definition for Material Uncertainty (Related to Going Concern).
143. Similar to comments discussed in paragraph 59, some respondents suggested including a reference to the period to which the auditor's conclusion about the entity's ability to continue as a going concern relates. The GC TF intends to further deliberate this matter post June 2024, given it is linked to the outcome of the proposals for the timeline over which the going concern assessment is made.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section VII** above. In addition:

- 8. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant for the explicit statements about going concern in the auditor's report.

Section VIII – Enhanced Communication in the Auditor's Report for Listed Entities

Highlights from Respondents' Feedback

- Broad support to provide a description of how the auditor evaluated management's assessment of going concern when a Material Uncertainty Related to Going Concern exists.
- For "close call" situations:
 - Clarity required for the threshold for "close call" situations given that not all events or conditions require significant judgments.
 - Encouragement for using the KAM mechanism to provide the enhanced communication.

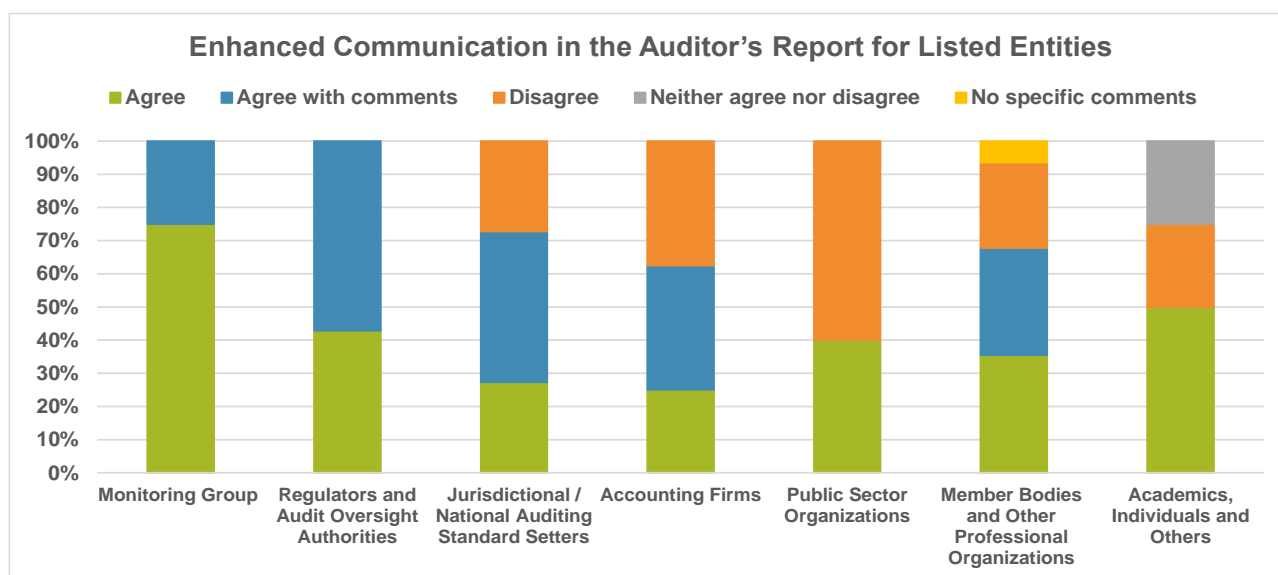
- Views on applicability:
 - Mixed views about extending the requirements to apply to entities other than listed.
 - Encouragement to consider extension to PIEs in coordination with Track 2 of the IAASB's Listed Entity and PIE project.

Overview of Responses

144. Question 14 sought views from respondents on the implications for the auditor's report for audits of financial statements of listed entities, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt (both when no material uncertainty exists or when a material uncertainty exists). In this regard, respondents were asked whether:

- They support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern.
- The requirements should be extended to also apply to audits of financial statements of entities other than listed entities.

145. The chart below shows an analysis of the responses to question 14 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.10 and 3-C.10** for further details).



Respondents' Comments

Monitoring Group Responses

146. The MG respondents supported introducing a description of how the auditor evaluated management's assessment of the entity's ability to continue as a going concern in the auditor's report. However, they encouraged the IAASB to consider whether the differential requirements for listed entities should be extended to apply to PIEs, given that some banks and insurers may not be listed, but would be considered PIEs as defined by local jurisdictions and the revised definition of PIE of the IESBA Code. Suggestions included to consider the extension from listed entities to PIEs (or "publicly traded entity") in coordination with Track 2 of the IAASB's Listed Entity and PIE project.

147. One MG respondent suggested that the IAASB should reconsider the conditionality in paragraph 33(b) of ED-570 that applies only when events or conditions have been identified that may cast significant doubt. Instead, the MG respondent suggested that the description should be provided in all cases and for all PIEs.

Other Respondents' Comments

148. Respondents who agreed with question 14 supported the proposals given they address the public interest expectations for enhancing the communication through the auditor's report about "close call" situations and provide useful information to intended users of financial statements to help them make more informed investment decisions.
149. Respondents who agreed with question 14 and provided comments or had concerns noted the following key matters in their responses:

Clarity for the threshold for "close call" situations

- (a) Respondents commented that the threshold for the requirement in paragraph 33(b) of ED-570 is unclear because it does not appropriately distinguish what a "close call" situation includes. In addition, views included that the requirement:
- Is open to interpretation of what are the minimum level of events or conditions caught by the requirement that will lead to inconsistency in interpretation and application by auditors, given there are a range of circumstances that could exist.
 - Risks for the auditor providing original information in the auditor's report about the events or conditions that management is not required to disclose when their conclusion did not involve a significant judgment.³⁶
- (b) Various suggestions were provided, including to reconsider the threshold for the requirement or use the KAM filter to provide the communication, provide further guidance, or remove the conditional aspect of the requirement so it applies for all listed entities and extends to all circumstances and not just when events or conditions have been identified.

Encouragement for the KAM mechanism for "close call" situations

- (c) Respondents commented that the proposals are similar to the extant communication of KAM related to going concern as required by ISA 701. However, views included that a clearer distinction is needed between when "close call" situations exists and when a material uncertainty exists to mitigate the risk of:
- Causing confusion or misunderstanding about the auditor's message whether there is a going concern issue or not.
 - Diluting the warning signal when there is a material uncertainty, given that such statement should stand on its own.
 - Blurring the responsibilities of management and the auditor given that management is responsible for reporting significant judgments they have made in making their going

³⁶ See IAS 1, paragraph 122

concern assessment.

- Providing original information by the auditor about events or conditions that have not been previously disclosed by management.
- (d) Suggestions included to use the KAM section, instead of the “Going Concern” section of the auditor’s report, to provide the enhanced communication about going concern for listed entities, including when there are “close call” situations. Comments also included that this would be more appropriate given the approach taken by the IAASB for its proposals for fraud in ED-240.

Other matters

(e) Respondents also suggested:

- Improvements to illustrative report 2 in the Appendix of ED-570, because listed entities generally face “political and economic uncertainties” and this is a too broad scenario.
- Developing further illustrative reports and guidance to support effective descriptions of how the auditor evaluated management’s assessment in specific circumstances to help avoid generic boilerplate reporting.
- That for listed entities, the auditor should be required to describe how the auditor evaluated management assessment of going concern in the Basis for Qualified (Adverse) opinion when adequate disclosure of a material uncertainty is not made in the financial statements.

150. Respondents who disagreed with question 14 noted similar matters as those explained in paragraph 149 above, including that:

- (a) For “close call” situations the extant KAM model is a more appropriate, and a well understood mechanism by users, to provide the description of how the auditor evaluated management’s assessment of going concern. In addition, this would bring consistency for the auditor’s report with the IAASB proposals for auditor reporting on fraud.
- (b) The threshold of identified events or conditions for “close call” situations is not sufficiently clear and it may lead to reporting on a broad range of situations that do not require significant judgment on the part of the auditor or management to conclude that no material uncertainty exists, that may be confusing to users. In addition, it is unclear whether the requirement in paragraph 33(b) of ED-570 refers to events and conditions that are present at the date of approval of the financial statements or any events and conditions that may have been identified and resolved during the reporting period.
- (c) The transparency about “close call” situations should be primarily driven by management’s disclosures about going concern provided in the financial statements. In the absence of such disclosures explicitly required by the applicable financial reporting framework there are risks for the auditor providing original information in the auditor’s report. Also, it creates an imbalance that may result in unintended consequences, including further widening the expectation gap.
- (d) The proposals risk that the auditor’s communications may be misinterpreted or overlooked. In addition, providing extensive disclosure of the auditor’s efforts may be distracting and boilerplate, adding potentially excessive length to the auditor’s report, and confusing users.

151. Respondents who neither agreed nor disagreed with question 14 shared insights from an experimental academic study (see paragraph 126).

Views on Applicability

152. As discussed in paragraph 146, the four MG respondents supported extending the proposed differential requirements for listed entities to apply to PIEs. Other respondents had mixed views on whether the proposals should be extended to apply to audits of financial statements of entities other than listed entities and provided the following key perspectives in their responses:

- (a) There may be entities of public interest which are not listed but for which the proposed requirements would be appropriate to apply. Given the heightened expectations of stakeholders regarding the audits of such entities, the requirements should be extended to apply to PIEs.
- (b) Because of the importance to alert users to events or conditions that may cast significant doubt, the enhanced communication should apply to all audits regardless of their size and complexity. In addition, the benefits would exceed the costs related to the additional reporting burden as this would lead to increased comparability and uniformity across auditor's reports for all entities.
- (c) The IAASB should further consider extending the applicability of the requirements in a holistic manner in coordination with Track 2 of the Listed Entity and PIE project.
- (d) The proposals are a proportional response given that for audits of entities other than listed entities, users of financial statements would not necessarily receive additional value from the enhanced communication. In addition, information about identified events or conditions that may cast significant doubt may not have been disclosed publicly by unlisted entities, which may risk the auditor providing original information in the auditor's report.
- (e) Like communicating KAM, the auditor should not be precluded to provide enhanced disclosures about going concern in the auditor's report for audits of entities other than listed entities.

SAC Feedback

153. SAC members had diverse views on whether the enhanced communication in the auditor's report for listed entities should be extended to apply to entities other than listed, such as for PIEs, noting that there is variability across jurisdictions in the scope of entities captured by national PIE definitions and this may impact the consistency and comparability in auditor reporting globally. In addition, when reporting on "close call" situations, some SAC members commented that there may be implications for certain regulated entities such as for financial institutions and that auditors should be encouraged to communicate with prudential regulators in these cases.

GC TF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-A :	Para's. 33(b), 34(d); A1A, A71–A78, and Illustrations 2, 4 in the Appendix
-------------------------------------------------	-----------------------------------------------------------------------------------

Threshold for "Close Call" Situations

Background Information

154. The GC TF notes that "close call" situations are not defined in the IFRS Accounting Standards. In 2014,

the IASB Interpretations Committee issued an Agenda Decision³⁷ clarifying the requirements in IAS 1 relating to going concern disclosures in financial statements. The Agenda Decision discussed a situation where management, having considered all relevant information, including the feasibility and effectiveness of any planned mitigation, concludes that there are no material uncertainties that require disclosure in accordance with paragraph 25 of IAS 1. However, reaching the conclusion that there was no material uncertainty involved significant management judgment (i.e., “close call” situation relevant to management’s conclusion). In such a situation, the Agenda Decision highlights that paragraph 122 of IAS 1 would apply to the judgments made in concluding that there remain no material uncertainties related to events or conditions that may cast significant doubt.

155. In developing ED-570, the GC TF leveraged the Agenda Decision, and IFRS Foundation education material, to provide application material in paragraph A62 of ED-570 to clarify that, in view of the requirements of the applicable financial reporting framework, “significant management judgment” is an appropriate threshold to apply when determining if disclosures should be made about events or conditions.
156. The IAASB Standards also do not define “close call” situations. In the course of the project to revise the Auditor Reporting Standards, the IAASB introduced a new requirement (see paragraph 31 of ED-570) for the auditor to evaluate the adequacy of disclosures, in view of the requirements of the applicable financial reporting framework, in situations when events or conditions were identified that may cast significant doubt on the entity’s ability to continue as a going concern but, after considering management’s plans to deal with these events or conditions, management and the auditor conclude that no material uncertainty exists. New application material was developed (see paragraphs A61 and A63 in ED-570) in support of the requirement that also provides guidance on the types of disclosures that may be required by the applicable financial reporting framework for “close call” situations.

Threshold of “Events or Conditions”

157. The proposals in paragraph 33(b) of ED-570 are conditional on whether events or conditions are identified but based on the audit evidence obtained, the auditor concludes that no material uncertainty exists. The GC TF notes that the intention for this threshold was to capture circumstances that are “close call” situations in all instances for a listed entity, given that the extant KAM filter may (or may not) always trigger reporting for these circumstances (see paragraphs 79-81 of the EM accompanying ED-570).
158. A key concern respondents cited related to the threshold for the requirement in paragraph 33(b) of ED-570 was that it was seen as not clear about the ‘minimum level’ of events or conditions that constitute a “close call” situation intended to be captured by the requirement. For example, there is a range of situations where events or conditions may exist, and some may be evaluated in a straightforward manner (e.g., through obtaining a debt covenant waiver), while for others there may be more significant judgment necessary to make the determination that there is no material uncertainty. Related to this, respondents also questioned whether it is appropriate for the requirement to capture all the broad range of circumstances when events or conditions exist, rather than just those where a significant judgment was required by management (or the auditor) that no material uncertainty exists.
159. Also, respondents saw the requirement as not clear whether the term “events or conditions” is referring

³⁷ See [IFRIC-Update-July-2014.pdf \(ifrs.org\)](#).

to any event or condition that may have been identified and resolved at any time during the period being evaluated, or if it refers to an event or condition that exists as of the date of approval of the financial statements. Given the perceived ambiguity, views included that there may be inconsistent application. For example, it may be interpreted that resolved events or conditions would trigger reporting, or it may be interpreted that because an event or condition did not exist at the date of approval of the financial statements, the requirement in paragraph 33(b) of ED-570 does not apply.

160. There were also concerns among respondents that because the requirement is scoped more broadly, the threshold may capture reporting for circumstances other than “close call” situations and that this could risk the auditor providing original information in the auditor’s report given that management may not be required by the applicable financial reporting framework to provide disclosures in the absence of significant judgments made. In addition, reporting for a broad range of circumstances when no material uncertainty exists may result in user misunderstanding of the significance of an event or condition. Comments also included that this may have unintended consequences such as users interpreting that the entity is in financial distress, when in effect no material uncertainty exists (e.g., unintended consequences and impacts on an entity’s share price or customers of a bank withdrawing their deposits over concern with the bank’s solvency).

GC TF Proposals for the Threshold

161. The GC TF acknowledges respondents’ concerns discussed in paragraphs 157-160 above and is of the view that further clarity is necessary for the threshold that triggers the requirement in paragraph 33(b) of ED-570. However, in considering respondents suggestions, the GC TF believes that:
- (a) Using the KAM filter as a threshold does not offer a new solution over extant and is not an accountable approach in response to the evidence gathering through the DP and calls from stakeholders for enhancing transparency and consistency when reporting on “close call” situation.
 - (b) Removing the threshold of events or conditions from the requirement would extend providing the description in all circumstances for a listed entity and irrespective of whether events or conditions have been identified. This could exacerbate respondents concerns about misinterpretation of the entity’s going concern status and the risk for the auditor providing original information in the auditor’s report, given that management may not be required by the applicable financial reporting framework to provide disclosures when no significant judgments were involved.
 - (c) Providing guidance alone to support the threshold (e.g., factors for the auditor to consider when determining whether the events or conditions are a “close call” situation and require disclosure, and illustrative examples highlighting what the disclosure would look like) is unlikely to drive consistent application.
162. The GC TF has proposed to introduce “significant management judgment” as part of the threshold that would trigger the additional communication about going concern required for listed entities (see paragraph 33(b) of **Agenda Item 3-A**). This is consistent with the guidance in paragraph A62 of ED-570 when determining whether management disclosures should be made about events or conditions. Also, the enhanced threshold makes explicit that the reporting is only triggered when there is a “close call” situation that involved significant management judgment. As a consequence of the proposal, alignment changes were necessary to several other paragraphs of **Agenda Item 3-A** (e.g., in paragraphs A1A, A78 and in Illustration 2 in the Appendix).

Extending the Applicability to Entities Other Than Listed Entities

163. The GC TF notes that there was clear support from MG respondents for extending the differential requirements for listed entities to apply to PIEs. Other respondents' feedback was mixed, including both views that agreed or disagreed with extending the applicability of the differential requirement to entities other than listed. In addition, there was support from the outreach with users for extending the applicability to entities other than listed, including for PIEs (see paragraph 9 of **Appendix 2**).
164. In considering responses for this matter, the GC TF is of the view that it should deliberate the topic further post June 2024. This would allow for informative coordination to occur with the Listed Entity and PIE Task Force, once their analysis of respondent's feedback on the Exposure Draft for Track 2³⁸ has sufficiently progressed.³⁹

The KAM Section as a Placement for Reporting on Going Concern "Close Call" Situations

165. The GC TF discussed that in its previous deliberations, the IAASB believed that there is a benefit for *comparability* and *consistency* in auditor reporting globally when all going concern commentary is provided under a single section of the auditor's report. As outlined on pages 22-23 of the EM accompanying ED-570, the IAASB also believed this approach would increase the utility for users whereby they would not have to navigate through the various sections of auditor's report to access relevant commentary about going concern.
166. However, some respondents suggested that the KAM section is a more appropriate location to provide the disclosure for "close call" situations in the overall auditor's report. In considering these views, the GC TF discussed the pros and cons outlined below for using the KAM section, instead of the Going Concern section, for reporting going concern "close call" situations. In doing so, the GC TF discussed these pros and cons considering only the placement aspect for using the KAM section instead of the Going Concern section, given its view that the expected work effort for the auditor would be the same, irrespective of where it is reported:
- (a) Utilizing the KAM section would better align with the approach taken for providing increased transparency on fraud matters as proposed in ED-240 and may provide a helpful baseline for users when comparing auditor's reports. Having a consistent approach between the projects may reduce complexity for the reporting requirements auditors should follow when reporting on fraud and going concern and when implementing the collective impact of the changes to the auditor's report. However, the IAASB proposals for fraud are currently being informed by respondents' feedback to ED-240 and the analysis of respondents' feedback for fraud has not yet sufficiently progressed to be able to know what respondents' views are on those proposals.
 - (b) Because going concern is a fundamental assumption in the preparation of, and is pervasive to the financial statements as a whole, it may be appropriate to require a different approach when reporting for going concern as compared to reporting about fraud-related matters used in ED-240.
 - (c) Paragraph 162 above discusses the GC TF proposed threshold for reporting "close call"

³⁸ See the [Exposure Draft \(ED\), Proposed Narrow Scope Amendments to ISQMs, ISAs and International Standard on Review Engagements 2400 \(Revised\), Engagements to Review Historical Financial Statements](#).

³⁹ Track 2 of the Listed Entity and PIE project is considering proposals for adopting a definition of PIE in the IAASB Standards, and an objective for establishing differential requirements for PIEs in the ISQMs and ISAs.

situations and paragraph 161(a) provides the GC TF rationale for why the KAM filter is not an appropriate threshold to be used when reporting for going concern “close call” situations. Accordingly, if the KAM section was used as placement for going concern “close call” reporting, then the GC TF views are that such reporting should not be filtered through the KAM mechanism but through a separate Going Concern filter. The GC TF appreciates that creating a separate filter for certain KAM may create complexity for the standard, and may even raise questions whether a mandatory going concern KAM conflicts with the principles of ISA 701. It is also noted that a mandatory going concern KAM is a different approach than that proposed for fraud in ED-240, given that the fraud proposals use the existing KAM filter of ISA 701, with an enhanced focus on identifying matters related to fraud as matters that required significant auditor attention and matters that were of most significance in the audit.

- (d) Using the KAM section could be perceived as more clearly differentiating between a “close call” situation and a material uncertainty situation, thereby enabling clarity for users to distinguish between these different going concern risk scenarios. Also, this may be seen to better align with the reporting by exception model and avoid the risk of diluting the warning signal when there is a material uncertainty relating to going concern.
 - (e) The extant rationale of reporting a Material Uncertainty Related to Going Concern in a separate section of the auditor’s report, even though it is by its nature a KAM, seems to logically extend to “close call” situations given the project objective to further strengthen auditor reporting related to going concern. It may also be confusing and inconsistent in the context of the revised going concern reporting model if a “close call” situation is reported as a KAM, while a material uncertainty is not, although both are by their nature a KAM. In addition, the title of the section on Material Uncertainty Related to Going Concern is clearly distinguished from the section on Going Concern where “close call” situations are reported, as well as that these sections include clear, explicit statements whether a material uncertainty exists to mitigate the risk of user misunderstanding.
 - (f) Utilizing the KAM section may have the benefit that users are familiar with this section and often refer to this section of the auditor’s report for key insights. As the Going Concern section is a new proposal, the utility of this section for users it is yet to be demonstrated. However, as separate section addressing going concern is intended to provide prominence to a topic that is of particular importance to users, given its fundamental and pervasive nature in underpinning the preparation of the financial statements.
 - (g) Using the KAM section, instead of the Going Concern section, would ‘disconnect’ the reporting on “close call” situations from the explicit statements about going concern as they would be reported into different section of the overall auditor’s report. To make the links between these sections, cross references would likely be needed. This could add complexity and repetition for the auditor’s report.
 - (h) Using the Going Concern section would allow more flexibility to explore whether the differential requirement for communicating how the auditor evaluated management’s assessment should be extended to apply to entities other than listed entities. Such extension would not be feasible in the current scope of ISA 701. The GC TF also recognizes that the Listed Entity and PIE Exposure Draft for Track 2 is considering proposals to extend the applicability of the scope of ISA 701 to PIEs.
167. On balance, reflecting on paragraphs 165-166, the GC TF has not yet settled on a proposal, and there are split views among the GC TF whether the KAM section, instead of the Going Concern section,

should be pursued as placement for reporting on “close call” situations. The GC TF is interested in the Board’s directional input on these two options based on the feedback received and the GC TF deliberations as summarized above, as well as whether there are any other matters to consider in this regard.

168. The GC TF also discussed that it would not be appropriate, at this time, to develop final proposals for the placement for going concern “close call” reporting, until the analysis of respondents’ feedback for ED-240 has sufficiently progressed and there has been effective coordination with the fraud task force to understand respondents’ views for the fraud related KAM. In view of the qualitative standard setting characteristics of the PIF for *coherence*, *implementability* and ability of being *consistently applied and globally operable* the GC TF discussed that it is appropriate to consider the collective impact of the proposals to enhance transparency for fraud and going concern to the auditor’s report.
169. The GC TF also believes that in terms of priorities, the GC TF first needs to consult with the Board on the appropriate reporting threshold for going concern “close call” situations (see paragraphs 161-162 above). Also, the applicability discussion needs to take place in parallel (see paragraphs 163-164 above), given that extending the reporting to entities other than listed would not be feasible in the current scope of ISA 701.

Other Matters from the Feedback

Illustrations

170. In response to views that listed entities generally face economic and political uncertainties, the GC TF has removed this reference from the illustrative auditor’s report 2 in the Appendix of **Agenda Item 3-A**. In addition, to improve the flow of the text, the GC TF has reordered the information provided in the illustrative auditor’s reports 2 and 4 in the Appendix of **Agenda Item 3-A**.
171. With respect to requests for developing further illustrations and guidance to support effective descriptions of how the auditor evaluated management’s assessment and help avoid generic boilerplate reporting, the GC TF believes that such examples may be better addressed through non-authoritative guidance, including that others (e.g., Jurisdictional / National Auditing Standard Setters) may be well placed to contribute in this regard.

Qualified and Adverse Opinions

172. Some respondents questioned why for a listed entity the auditor is not required to describe how the auditor evaluated management’s assessment of going concern in the Basis for Qualified (Adverse) opinion when adequate disclosure of a material uncertainty is not made in the financial statements. The GC TF considers that in such circumstances, ISA 705 (Revised) already adequately provides requirements and application material that address the auditor’s responsibility if the financial statements are misstated in relation to a qualitative disclosure or the non-disclosure of information.⁴⁰

Engagement with Prudential Regulators

173. Given feedback there may be specific circumstances related to reporting “close call” situations for certain financial institutions (e.g., banks) and insurance providers, the GC TF intends to undertake outreach and engagement with prudential regulators post June 2024, to obtain further insights from this particular

⁴⁰ ISA 705 (Revised), paragraphs 22-23

stakeholder group.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section VIII** above. In addition:

9. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the enhanced communication in the auditor's report for listed entities.
10. The GC TF is seeking input from the Board on whether there are any other matters that should be considered for using the KAM section, instead of the Going Concern section, as the placement for the enhanced communication in the auditor's report for listed entities.

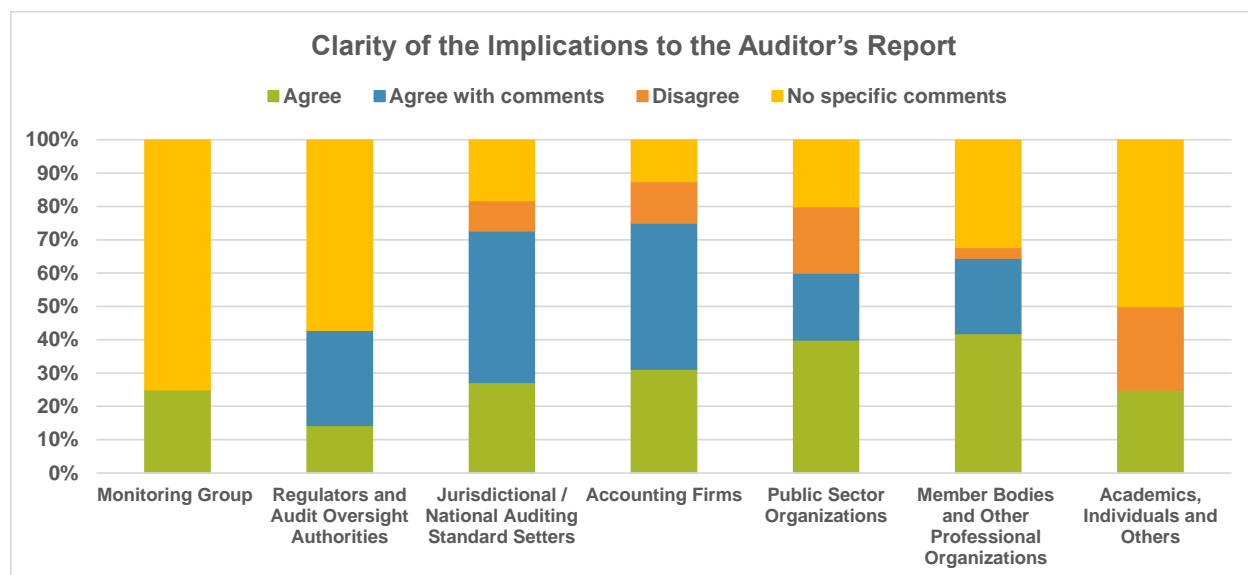
Section IX – Clarity of the Implications for the Auditor's Report

Highlights from Respondents' Feedback

- General clarity that ED-570 addresses all implications for the auditor's report related to going concern.
- Suggestions to:
 - Clarify the scope paragraphs.
 - Explicitly state in ISA 701 that when events or conditions are identified, the auditor shall not report going concern matters in the KAM section of the auditor's report.
 - Provide further guidance and additional illustrative reports when the auditor disclaims an opinion.

Overview of Responses

174. Question 15 sought views from respondents whether it is clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern.
175. The chart below shows an analysis of the responses to question 15 per stakeholder group (see the separate NVivo reports in **Agenda Items 3-B.11 and 3-C.11** for further details).



Respondents' Comments

Monitoring Group Responses

176. One MG respondent who provided answers to question 15, agreed that ED-570 addresses all the implications for the auditor's report related to going concern, except when the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, which is addressed through a conforming and consequential amendment to ISA 705 (Revised).

Other Respondents' Comments

177. Respondents who agreed with question 15 generally did not offer detailed reasons for their support, other than noting that it is clear that ED-570 addresses all implications for the auditor's report.
178. Respondents who agreed with question 15 and provided comments or had concerns noted that ED-570, together with the related conforming and consequential amendments proposed to ISA 700 (Revised), ISA 701, ISA 705 (Revised) and ISA 706 (Revised)⁴¹ effectively clarify that ED-570 alone is applicable when communicating matters related to going concern in the auditor's report. In addition, respondents suggested the following key aspects where improvements may be considered to support consistent application when reporting going concern matters in the auditor's report:

Clarity to the scope

- (a) To ensure consistency and alleviate ambiguity regarding whether auditors can also report going concern matters in accordance with ISA 701, in addition to the reporting obligations under ED-570, respondents suggested to:
- Move the application material from paragraph A1 of ED-570 to the introductory section. In addition, explicitly state that for a listed entity, when a material uncertainty does not exist, but events or conditions are identified, such circumstances are not considered in the

⁴¹ ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

determination of matters of most significance in the audit in accordance with ISA 701.

- Clarify paragraph 15 of ISA 701 that communicating KAM in the auditor's report is not a substitute for reporting in accordance with ED-570.

Considerations when the auditor disclaims an opinion

- (b) Respondents commented that paragraph 36 of ED-570 refers to a disclaimer of opinion, however it is not clear whether the auditor is allowed to disclaim an opinion on the financial statements because of going concern alone and suggested this aspect to be clarified. In addition, suggestions included to:
- Provide an illustrative report example of a disclaimer of opinion due to multiple uncertainties involving the financial statements as a whole.
 - Clarify the application material in paragraph A82 of ED-570 as it may be read to imply that the requirement in paragraph 36 only applies in situations where the auditor disclaims an opinion on the financial statements due to multiple material uncertainties.
 - Include a stronger prohibition for the inclusion of a Going Concern or Material Uncertainty Related to Going Concern section in the auditor's report in the event that the auditor disclaims an opinion on the financial statements, or further explicitly clarify this prohibition in related application material.
- (c) Some respondents also believed that it is not appropriate to disclaim conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether a material uncertainty exists. Such respondents disagreed with the proposed conforming and consequential amendment to paragraph 19(d) of ISA 705 (Revised).

Other matters

- (d) Respondents also suggested providing guidance:
- For circumstances where a material uncertainty exists that is not properly disclosed in the financial statements, given views that it is unclear when the auditor should qualify the opinion rather than issue an adverse opinion. In addition, suggestions included clarifying the illustrative examples 5 and 6 in the Appendix of ED-570 to distinguish the circumstances when inappropriate disclosure of a material uncertainty is both material and pervasive.
 - When it would be appropriate to use an Emphasis of Matter paragraph or report under the Going Concern section for entities other than listed entities.
 - For circumstances when the financial statements have been prepared by management on a basis other than going concern, but the auditor has determined that this basis of accounting is appropriate.
179. Respondents who disagreed with question 15 referred to their previous views for questions 13 and 14 above (see paragraphs 125 and 150), including preferences to retain the extant exception-based going concern reporting model and use the KAM mechanism to provide transparency about "close call" situations. In addition, respondents noted the following key matters:
- (a) When expressing a qualified or adverse opinion due to inadequate disclosure in the financial statements because of a material uncertainty, the Material Uncertainty Related to Going Concern

section is duplicative of the Basis for Qualified/Adverse Opinion section and is therefore not necessary.

- (b) Additional clarification is necessary to ISA 701 to be clear that going concern matters are not communicated in the KAM section. In addition, the IAASB should consider amending ISA 701 to be clear that a circumstance indirectly relating to going concern is not excluded from being disclosed as a KAM when it is significant matter for the audit, independent of the implications that it may also have for going concern.
- (c) ED-570 does not address many implications for the auditor's report specific to the auditor's required conclusions and related communications about going concern for public sector auditors.

GC TF Views and Recommendations

<i>Relevant Paragraphs in Agenda Item 3-A:</i>	<i>Para's. 1, 36, 37 and A1–A1A, A82–A85</i>
-------------------------------------------------------	-----------------------------------------------------

Scope of ED-570

- 180. In response to suggestions from the feedback, the GC TF has bifurcated paragraph A1 of **Agenda Item 3-A** (i.e., paragraphs A1 and A1A) and enhanced the linkages between the application material and the scope paragraph. This was considered appropriate because the application material discusses the implications to the auditor's report for two different circumstances (i.e., when a material uncertainty exists and when no material uncertainty exists but there is a "close call" situation).
- 181. In addition, the GC TF considered suggestions to elevate paragraphs A1 and A1A of **Agenda Item 3-A** to the introductory section in the main body of the standard but is of the view that this would be disproportionate to the other material provided in the scope paragraph given these paragraphs discuss solely aspects related to the reporting responsibilities of the auditor.
- 182. The GC TF also considered respondents comments to include a stronger message in paragraph 15 of ISA 701 to explicitly state that for "close call" situations, the auditor shall not report going concern matters in the KAM section of the auditor's report. The GC TF view is that pursuing a specific prohibition may have unintended consequences such as being perceived as restrictive to disclosing matters indirectly related to going concern as KAM when they are significant to the audit, independently of the implications that they may also have for going concern. Such circumstances may relate to, for example, matters of significance to the audit for reasons other than their relationship to going concern or when communicating fraud related KAM as proposed by ED-240 which may also have going concern implications. In addition, the GC TF believes that the conforming and consequential amendment to paragraph 4 of ISA 701 sufficiently draws attention that communicating a KAM is not a substitute for reporting in accordance with proposed ISA 570 (Revised 202X). The GC TF also discussed that this aspect could be clarified in the Basis for Conclusions.

Considerations when the Auditor Disclaims an Opinion

- 183. The GC TF has removed the cross reference from paragraph A82 of **Agenda Item 3-A** in response to comments that the drafting implied that paragraph 36 only applied in situations where the auditor disclaims an opinion on the financial statements due to multiple material uncertainties rather than in all cases when a disclaimer is provided.
- 184. In response to comments that asked for further guidance and illustrative reports when the auditor

disclaims an opinion, the GC TF is of the view that there are sufficient illustrations in ISA 705 (Revised) that demonstrate the format of the auditor's report when a disclaimer of opinion is provided.

185. With respect to some respondents who disagreed with the proposed conforming and consequential amendment to paragraph 19(d) of ISA 705 (Revised), the GC TF believes that the amendment remains appropriate and consistent with the overall reporting model introduced by ED-570 for providing explicit statements about going concern, (see also paragraphs 88-91 of the EM accompanying ED-570).

Other Matters from the Feedback

186. In response to stakeholders who asked for guidance or clarifications for various matters, (e.g., when it would be appropriate to use an Emphasis of Matter paragraph or report under the Going Concern section for entities other than listed entities), the GC TF believes that such clarifications may be best addressed through the Basis for Conclusions or in implementation guidance.
187. The GC TF also notes that there were cross cutting messages from respondents requesting further guidance to support appropriate and proportionate application of ED-570 in the context of the public sector. The GC TF intends to deliberate this theme in more depth post June 2024.

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section IX** above. In addition:

11. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to the clarity of the implications for the auditor's report.

Section X – Written Representations

188. Question 16 of ED-570 included an open-ended question, seeking input from respondents if they had any other matters to raise. In their feedback, respondents shared perspectives where other enhancements could be considered for ED-570, provided insights from surveys, research and outreach undertaken, offered various editorial and drafting suggestions, or referred to matters previously discussed in their comment letters.
189. The GC TF intends to provide a complete analysis of the feedback for the other matters post June 2024. Paragraphs 190-195 below summarize what we heard about the written representation requirements in ED-570, and the GC TF views and recommendations, given this was a substantive theme arising from respondents' feedback for question 16 (see the separate NVivo report in **Agenda Item 3-B.12 and 3-C.12** for further details).

Respondents' Comments

190. Two MG members and other respondents believed that ED-570 should be strengthened to require the auditor to request management or TCWG, when appropriate, to provide written representations addressing that all identified events or conditions that may cast significant doubt have been disclosed to the auditor and have been included as part of management's assessment of going concern.
191. In addition, suggestions were made that the written representations could address the following matters:
- (a) The completeness of the disclosures in the financial statements for all matters of which management is aware that are relevant to the entity's ability to continue as a going concern.

- (b) Whether the method, assumptions and data used in management's assessment of going concern and any related disclosures, are appropriate and in accordance with the applicable financial reporting framework.

GC TF Views and Recommendations

Relevant Paragraphs in Agenda Item 3-A :	Para's. 37A–38 and A86
-------------------------------------------------	-------------------------------

192. Given the targeted nature of the revisions contemplated by the project to revise ISA 570 (Revised), strengthening the written representation requirements was not specifically captured by the proposed actions of the project proposal. However, the GC TF discussed that because ED-570 introduces a more robust approach over extant to evaluate management's assessment in all instances and irrespective of whether events or conditions are identified that may cast significant doubt, it would be consistent with this approach to also strengthen the written representations required from management.
193. In response, the GC TF propose to include a new requirement in paragraph 37A of **Agenda Item 3-A** that applies regardless of whether events or conditions have been identified that may cast significant doubt and addresses the appropriateness of the going concern basis of accounting, representing that all events or conditions have been disclosed to the auditor and included in management's going concern assessment and the appropriateness of the disclosures in the financial statements.
194. The GC TF also discussed that it would be consistent with paragraph 37 of ISA 540 (Revised) to also introduce a similar written representations requirement in ED-570 regarding whether the method, assumptions and the data used in management's assessment are in accordance with the applicable financial reporting framework. The GC TF intends to further deliberate and bring proposals to the Board for this matter post June 2024, along with its proposals in response to the feedback for question 9 of ED-570 addressing the concepts introduced from ISA 540 (Revised).
195. The GC TF enhanced the application material in paragraph A86 of **Agenda Item 3-A** to include an additional example when it may be appropriate for the auditor to obtain specific written representations in addition to those required, addressing management's decision not to extend the period of its assessment (see also **Section IV**).

Matters for IAASB Consideration:

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section X** above. In addition:

12. The Board is asked for its views on the GC TF recommendations discussed above and reflected in **Agenda Item 3-A** to address matters relevant to written representations?

Part D: Way Forward

196. Following the June 2024 IAASB meeting, and based on the Board's feedback, the GC TF will continue to discuss the key themes presented in this Agenda Item with respect to the questions analyzed and make further revisions, as needed, to proposed ISA 570 (Revised 202X) to address the Board's comments.
197. The GC TF will also continue to develop proposals in response to the comments received on exposure for the remaining questions of ED-570, that will be discussed with the Board at the

September 2024 IAASB meeting (see the questions to be discussed in the table below). In addition, in September 2024, the Board will be presented a first full draft of proposed ISA 570 (Revised 202X), post exposure.

ED-570 Question:	Description
Question 3	Scalability
Question 8	Evaluating Management's Assessment of Going Concern
Question 9	Concepts from ISA 540 (Revised) for Method, Assumptions and Data
Question 10	Management's Plans for Future Actions
Question 16	Other Matters
Question 17	Translations and Effective Date

198. In addition, the GC TF will continue to engage in coordination activities with IESBA, and with other IAASB Task Forces and Consultation Groups, as appropriate, undertake outreach with prudential regulators and liaise with accounting standard setting bodies such as the IASB and IPSASB. The IAASB's approval of the final pronouncement is targeted for December 2024.

GC TF Members and Activities

GC TF Members

1. The GC TF consists of the following members:
 - Edo Kienhuis (Chair)
 - Greg Schollum
 - Sue Almond
 - Wendy Stevens
 - Kai Morten Hagen
2. Information about the project can be found [here](#).

GC TF Activities and Outreach

3. Since March 2024, the GC TF held 3 physical meetings and 1 virtual meeting.
4. Paragraphs 11-13 provide information about outreach activities undertaken since March 2024 in relation to ED-570. In addition, **Appendix 2** provides an overview and the key insights from the focused discussions undertaken with investors or users of financial statements.

Monitoring Jurisdictional Developments

Standard-Setting Initiatives

5. In September 2023, the Independent Regulatory Board for Auditors (IRBA) issued a Rule⁴² that prescribes additional disclosure requirements in the auditor's report for a firm that audits a PIE. Among the matters addressed, the Rule introduced a requirement for the auditor of a PIE to describe in the auditor's report how the auditor evaluated management's assessment of the entity's ability to continue as a going concern when there is a material uncertainty that is properly disclosed in the financial statements.
6. The Public Company Accounting Oversight Board (PCAOB) standard-setting agenda includes a project to consider how the requirements in its going concern auditing standard should be revised in response to changes in financial reporting, the auditing environment, and stakeholder needs.⁴³ In March 2023, the PCAOB's Standards and Emerging Issues Advisory Group discussed the current state of auditor going concern reporting, and provided views with respect to the auditor procedures for evaluating going concern and reporting going concern matters. The Staff of the PCAOB are currently analyzing relevant information and developing a proposal for the Board's consideration.

Research Papers

7. In August 2022, as part of its research project to review the current practice of auditor reporting, the Financial Reporting Council (FRC) published a series of infographic 'snapshots' on the current state of

⁴² See the [IRBA Rule on Enhanced Auditor Reporting for the Audit of Financial Statements of Public Interest Entities](#).

⁴³ See [Going Concern | PCAOB \(pcaobus.org\)](#).

auditor reporting in the United Kingdom.⁴⁴ The research project also explored the reporting of going concern within auditor's reports based on a sample of nearly 400 auditor's reports.⁴⁵ The summary of the observations for going concern included that the KAM was the main mechanism for reporting whether the auditor had identified heightened risks in relation to going concern during the audit, and the Material Uncertainty Relating to Going Concern paragraphs were rarely issued for companies within the sample. In addition, while firms adopted different approaches to how they structured their reporting on going concern, the content was broadly consistent between different reports, however the reporting was often fragmented between different sections of the auditor's report.

⁴⁴ See [Auditor Reporting: A Review of Current Practice](#).

⁴⁵ See [Snapshot 5: Going Concern](#).

Focused Discussions with Users of Financial Statements

Timing and Format of the Focused Discussions

1. In March and April 2024, focused discussion sessions were undertaken with a total of 8 users of financial statements. Each discussion session was up to 1.5 hours and included a moderated discussion by the GC TF Chair, with participation of IAASB Staff and members of the GC TF.
2. Ahead of the focused discussion sessions, users of financial statements were provided with a cover note outlining the purpose and format of the sessions, background information for certain changes as proposed in ED-570, the questions for participants (also see paragraphs 4-5 below) and links where further information can be found (e.g., links to the EM accompanying ED-570 and the three-part video series released as part of the outreach for ED-570). The intention was to facilitate for advance preparation in relation to the targeted matters discussed in an informative and succinct manner.

Selecting Users of Financial Statements for the Focused Discussions

3. The GC TF identified a potential list of 34 users of financial statements, endeavoring to include different types of users and users from different geographical backgrounds, that were invited to participate in the focused discussion sessions, accommodating several options for attending at different dates and times zones. In selecting the users of financial statements, the GC TF identified users of financial statements from the outreach undertaken as part of the fraud project. This was supplemented with additional contacts identified by members of the GC TF, the Staff of the International Federation of Accountants (IFAC) and the IESBA.

Questions for Participants

4. The GC TF developed 5 questions that were discussed in each focused discussion session. In gathering perspectives from users of financial statements, the GC TF was mindful that outreach with this specific stakeholder group would be most relevant to certain topics where mixed views were present in the written responses to ED-570, such as the proposals for enhancing transparency in the auditor's report and the timeline over which the going concern assessment is made. Given the mixed views on these topics by other stakeholder groups, the GC TF considered users views in combination with views from other stakeholders to determine an appropriate way forward.
5. The questions for respondents are outlined in the box below. In developing the questions, the GC TF remained closely aligned with the questions for respondents in the Request for Comments Section of the EM accompanying ED-570.

Discussion Questions for Participants

Participants were asked to share their views on whether:

- 1) The proposed explicit statements facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern?

- 2) The enhanced reporting for audits of listed entities when events or conditions have been identified, but no material uncertainty exists, provide useful information for intended users of the audited financial statements?
- 3) The enhanced reporting for audits of listed entities should be extended to apply to entities other than listed, such as for PIEs?
- 4) There are any other matters that the auditor should be required to report on in relation to going concern (both when no material uncertainty exists or when a material uncertainty exists)?
- 5) They support the proposed change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in the extant standard) to the date of the approval of the financial statements (in ED-570)?

Key Insights from the Outreach – What we Heard?

Explicit Statements About Going Concern in the Auditor's Report

6. With respect to the proposed explicit statements about going concern in the auditor's report, users commented that they are helpful from their perspective and are an improvement over the extant 'reporting by exception' model. In addition, views included that, from an investors' standpoint, it is important to know that the financial statements are prepared on the going concern basis of accounting and that liquidation accounting has not been applied. Additionally, comments included that it is relevant to continue to require a statement when a material uncertainty has been identified as this is an important matter that warrants prominence in the auditor's report and signposts that prudence should be exercised. Suggestions included for the IAASB to consider issuing educational material to explain how the auditing and accounting requirements for going concern interact, given that users of financial statements may not always be familiar with technical issues (e.g., explaining the interplay between the two explicit statements for various going concern risk scenarios).

Enhanced Communication in the Auditor's Report for Listed Entities

7. In relation to the enhanced communication for listed entities in the auditor's report, users' views included that providing a description of how the auditor evaluated management's assessment of going concern is helpful, given it provides a level of comfort that the auditor has addressed the matter in the course of their work thereby enhancing confidence of users in the financial statements. However, some participants had different views on whether the threshold of "events or conditions have been identified" in situations where no material uncertainty exists, is helpful given that it is an arbitrary cut off point.
8. Views also included that:
 - (a) The auditor should be required to provide the description in all circumstances, regardless of whether a "close call" situation exists. Suggestions included that if a particular circumstance is a "close call" situation, then the auditor may state in the description that it required a significant management judgment to determine that no material uncertainty exists.
 - (b) There is a user benefit of providing more informational content when the circumstances are such that there is an underlying issue to report on, such as for a "close call" situation. In this case, there is an expectation that management's disclosures in the financial statements in relation to the matter are also more robust that users can refer to.

- (c) The description of how the auditor evaluated management's assessment would be more helpful if it would include the auditor's key observations or conclusions on the matter, rather than overly addressing procedures performed or providing boilerplate information. In addition, the auditor's report would be lengthened by providing the description.
9. There was broad support from users of financial statements for the IAASB to consider extending the applicability of the differential requirements to apply more broadly to entities that are not listed, including for PIEs. Views included that:
- (a) The auditor should be required to provide the description how the auditor evaluated management's assessment for all entities, regardless of whether they are listed or not. In particular, when a material uncertainty exists, then information is equally relevant for all entities, and the auditor should be required to describe in the auditor's report how the matter was addressed in the course of the audit.
 - (b) The proposed improvements are relevant for many larger entities (e.g., utility companies, entities with large number of stakeholders, including financial institutions) for which it would be appropriate to apply the same level of scrutiny when reporting on going concern as for listed entities.

Timeline Over Which the Going Concern Assessment is Made

10. There were different views about the proposed extension of the commencement date of the twelve-month period to the date of approval of the financial statements. While some participants supported the extension, there were views from some users noting concerns about possible impacts this may have to the timing of release of the audited financial statements, increased costs for preparers to update the assessment for the extended commencement period, and other practical difficulties that may arise (e.g., reluctance from management to extend the commencement period). Views also included that the period of management assessment should be aligned with the requirements in the financial reporting framework. To overcome these hurdles, suggestions included to consider requesting the extension only when heightened going concern issues are identified.

Other Matters

11. Users also shared the following perspectives in the focused discussions:
- (a) At an overarching level, comments were made that from a user's perspective, when it comes to going concern, management's narrative disclosures are the first point of interest. Participants also emphasized the importance for a robust financial reporting framework supporting adequate disclosures from management in relation to going concern, given their primary responsibility to prepare financial statements on the going concern basis of accounting.
 - (b) Some participants commented that the auditor should be required to evaluate management's assessments beyond the minimum twelve-month period (e.g., to consider longer periods aligned with the entity's strategy and ESG reporting timeframe).
 - (c) Participants also questioned how the auditor considers "materiality" when evaluating going concern (e.g., is this understood as "financial" materiality or materiality in broader terms), as well as whether sufficient emphasis is provided to evaluating going concern implications across complex groups of entities.

Appendix 3

List of Respondents to ED-570

No.	Respondent	Region
Monitoring Group		Total: 4
1.	Basel Committee on Banking Supervision (BCBS)	Global
2.	International Association of Insurance Supervisors (IAIS)	Global
3.	International Forum of Independent Audit Regulators (IFIAR)	Global
4.	International Organization of Securities Commission (IOSCO)	Global
Regulators and Audit Oversight Authorities		Total: 7
5.	Botswana Accountancy Oversight Authority (BAOA)	Middle East and Africa
6.	Canadian Securities Administrators Chief Accountants Committee (CAC)	North America
7.	Committee of European Auditing Oversight Bodies (CEAOB)	Europe
8.	Financial Reporting Council (FRC)	Europe
9.	Independent Regulatory Board for Auditors (IRBA)	Middle East and Africa
10.	Irish Auditing and Accounting Supervisory Authority (IAASA)	Europe
11.	National Association of State Boards of Accountancy (NASBA)	North America
Jurisdictional / National Auditing Standard Setters		Total: 11
12.	American Institute of Certified Public Accountants (AICPA)	North America
13.	Australian Auditing and Assurance Standards Board (AUASB)	Asia Pacific
14.	Austrian Chamber of Tax Advisors and Public Accountants (KSW)	Europe
15.	Canadian Auditing and Assurance Standards Board (AASB)	North America
16.	Compagnie Nationale des Commissaires aux Comptes and Conseil National de l'Ordre des Experts-Comptables (CNCC & CNOEC)	Europe
17.	Hong Kong Institute of Certified Public Accountants (HKICPA)	Asia Pacific
18.	Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)	Europe
19.	Japanese Institute of Certified Public Accountants (JICPA)	Asia Pacific
20.	New Zealand Auditing and Assurance Standards Board (NZAuASB)	Asia Pacific
21.	Public Accountants and Auditors Board Zimbabwe (PAAB)	Middle East and Africa
22.	Royal Dutch Institute of Chartered Accountants (NBA)	Europe
Accounting Firms⁴⁶		Total: 16
23.	Assirevi	Europe
24.	BDO International (BDO)*	Global

⁴⁶ Forum of Firms members are indicated with a *. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits.

Going Concern – Feedback and Issues
IAASB Main Agenda (June 2024)

No.	Respondent	Region
25.	CohnReznick LLP (CHR)	North America
26.	Crowe Global (CROWE)*	Global
27.	Crowe LLP (CROWE LLP)	North America
28.	Deloitte Touche Tohmatsu Limited (DTTL)*	Global
29.	Ernst & Young Global Limited (EY)*	Global
30.	Grant Thornton International Limited (GT)*	Global
31.	KPMG International Limited (KPMG)*	Global
32.	Mazars (MZ)*	Global
33.	MNP LLP (MNP)	North America
34.	Mo Chartered Accountants (MCA)	Middle East and Africa
35.	Nexia Australia Pty Ltd (NAPL)	Asia Pacific
36.	PKF International Limited (PKF)*	Global
37.	PriceWaterhouseCoopers (PwC)*	Global
38.	RSM International Limited (RSM)*	Global
Public Sector Organizations		Total: 5
39.	Office of the Auditor General New Zealand (OAGNZ)	Asia Pacific
40.	Office of the Auditor General of Canada (OAGC)	North America
41.	Office of the Auditor General of Manitoba (OAGM)	North America
42.	Provincial Auditor of Saskatchewan (PAS)	North America
43.	UK National Audit Office (UKNAO)	Europe
Member Bodies and Other Professional Organizations		Total: 31
44.	Accountancy Europe (AE)	Europe
45.	Accounting and Finance Association of Australia and New Zealand (AFAANZ)	Asia Pacific
46.	ASEAN Federation of Accountants (AFA)	Asia Pacific
47.	Botswana Institute of Chartered Accountants (BICA)	Middle East and Africa
48.	California Society of CPA (CALCPA)	North America
49.	Center for Audit Quality (CAQ)	North America
50.	Chamber of Auditors of the Czech Republic (CA CR)	Europe
51.	Chartered Accountants Australia and New Zealand (CA ANZ) and the Association of Chartered Certified Accountants (ACCA)	Global
52.	Chartered Accountants Ireland (CAI)	Europe
53.	Colombia's National Institute of Public Accountants (INCP)	South America
54.	Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili (CNDCEC)	Europe

Going Concern – Feedback and Issues
IAASB Main Agenda (June 2024)

No.	Respondent	Region
55.	CPA Australia (CPAA)	Asia Pacific
56.	European Federation of Accountants and Auditors for SMEs (EFEAA)	Europe
57.	Federation of Accounting Professions of Thailand (FAPT)	Asia Pacific
58.	IFAC SMP Advisory Group (SMPAG)	Global
59.	Institute of Certified Public Accountants of Uganda (ICPAU)	Middle East and Africa
60.	Institute of Chartered Accountants in England and Wales (ICAEW)	Europe
61.	Institute of Chartered Accountants of Scotland (ICAS)	Europe
62.	Institute of Chartered Accountants of Sri Lanka (ICASL)	Asia Pacific
63.	Institute of Singapore Chartered Accountants (ISCA)	Asia Pacific
64.	Instituto de Auditoria Independente do Brasil (IBRACON)	South America
65.	Instituto Mexicano de Contadores Publicos (IMCP)	South America
66.	Korean Institute of Certified Public Accountants (KICPA)	Asia Pacific
67.	Malaysian Institute of Certified Public Accountants (MICPA)	Asia Pacific
68.	Malaysian Institute of Accountants (MIA)	Asia Pacific
69.	National Board of Accountants and Auditors of Tanzania (NBAA)	Middle East and Africa
70.	Nordic Federation of Public Accountants (NRF)	Europe
71.	Pan-African Federation of Accountants (PAFA)	Middle East and Africa
72.	South African Institute of Chartered Accountants (SAICA)	Middle East and Africa
73.	Saudi Organization for Chartered and Professional Accountants (SOCPA)	Middle East and Africa
74.	The Malta Institute of Accountants (TMIA)	Europe
Academics, Individuals and Others		Total:4
75.	RMIT University (RMU)	Asia Pacific
76.	Altaf Noor Ali Chartered Accountants (ANA)	Middle East and Africa
77.	Colin Semotiuk (CS)	North America
78.	Kazuhiro Yoshii (KY)	Asia Pacific

Appendix 4

Summary of NVivo Reports and the Related Part in this Agenda Item Where the Summary is Presented

ED-570 Question:	Part in this Agenda Item	Agenda Item:	
		NVivo Word Analysis	NVivo Excel Analysis
Question 1	Part B: Public Interest Issues	Agenda Item 3-B.1	Agenda Item 3-C.1
Question 2	Part B: Enhanced Auditor's Judgments and Work Related to Going Concern	Agenda Item 3-B.2	Agenda Item 3-C.2
Question 4	Part C: Section I Professional Skepticism	Agenda Item 3-B.3	Agenda Item 3-C.3
Question 5	Part C: Section II Definition of Material Uncertainty (Related to Going Concern)	Agenda Item 3-B.4	Agenda Item 3-C.4
Question 6	Part C: Section III Risk Identification and Assessment	Agenda Item 3-B.5	Agenda Item 3-C.5
Question 7	Part C: Section IV Timeline Over Which the Going Concern Assessment is Made	Agenda Item 3-B.6	Agenda Item 3-C.6
Question 11	Part C: Section V Communication with TCWG	Agenda Item 3-B.7	Agenda Item 3-C.7
Question 12	Part C: Section VI Communication with Appropriate External Parties	Agenda Item 3-B.8	Agenda Item 3-C.8
Question 13	Part C: Section VII Explicit Statements About Going Concern in the Auditor's Report	Agenda Item 3-B.9	Agenda Item 3-C.9

ED-570 Question:	Part in this Agenda Item	Agenda Item:	
		NVivo Word Analysis	NVivo Excel Analysis
Question 14	Part C: Section VIII Enhanced Communication in the Auditor's Report for Listed Entities	Agenda Item 3-B.10	Agenda Item 3-C.10
Question 15	Part C: Section IX Clarity of the Implications to the Auditor's Report	Agenda Item 3-B.11	Agenda Item 3-C.11
Question 16	Part C: Section X Written Representations	Agenda Item 3-B.12	Agenda Item 3-C.12