

Going Concern – Question 15

15. Is it 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 (i.e., auditor reporting is in accordance with ED-570 and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.

Q15 - Agree**1. Monitoring Group****International Organization of Securities Commissions (IOSCO)**

It is clear that ED 570 addresses implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern, other than the instances where the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists which results in a disclaimer of opinion in accordance with ISA 705.

2. Regulators and Audit Oversight Authorities**Botswana Accountancy Oversight Authority (BAOA)**

Yes, 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. The going concern evaluation is also guided by the proposed standard and not any other standard.

3. Jurisdictional and National Auditing Standard Setters**Japanese Institute of Certified Public Accountants (JICPA)**

Yes. We agree that it is clear from ED-570 and the related conforming amendments that the auditor's report relating to the auditor's required conclusions and related communications about going concern is to be prepared in accordance with ED-570, not ISA 701 or any other ISAs.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

Yes, we believe ED 570 is clear.

Royal Dutch Institute of Chartered Accountants (NBA)

We support the approach taken.

4. Accounting Firms**Assirevi**

ED-570 clearly specifies that it addresses all matters about going concern that affect an auditor's report.

BDO International (BDO)

We believe it is clear that ED-570 addresses all implications for the auditor's report.

Crowe Global (CROWE)

The IAASB has explained clearly through the process of developing ED-570 the approach to reporting. We are comfortable with the proposed approaches and outcomes.

PKF International Limited (PKF)

In our opinion, it is clear that ED-570 addresses all implications for the auditor's report in respect of going concern.

RSM International Limited (RSM)

Yes, we believe 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.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAGC)

Yes, 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.

Provincial Auditor Saskatchewan (PAS)

Yes, it is clear that all implications are addressed.

6. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants (BICA)

It is clear that ED 570 addresses implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern, other than the instances where the auditor is unable to conclude on the appropriateness of management's use of the going concern basis of accounting and whether a material uncertainty exists which results in a disclaimer of opinion in accordance with ISA 705.

California Society of CPA (CALCPA)

Yes; we agree that ED-ISA 570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern. We are not aware of any implications not addressed.

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

Yes, we find this to be clear.

Chartered Accountants Ireland (CAI)

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

We have no comments on the proposed requirements.

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

Yes, it is clear.

Federation of Accounting Professions of Thailand (FAPT)

Yes.

Institute of Certified Public Accountants of Uganda (ICPAU)

We believe that the ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern except for instances which result in a disclaimer of opinion in accordance with ISA 705.

Institute of Chartered Accountants of Sri Lanka (ICASL)

ED-570 provides comprehensive guidance on the auditor's responsibilities for assessing an entity's ability to continue as a going concern and the implications for the auditor's report. As such, 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.

Instituto de Auditoria Independente do Brasil (IBRACON)

We believe it is clear that ED-570 addresses all implications for the auditor's report.

Instituto Mexicano de Contadores Publicos (IMCP)

It is clear that the ED-570 addresses all implications of the auditor's report relating to the conclusions and communications about going concern.

Korean Institute of Certified Public Accountants (KICPA)

ED-570 addresses all related implications.

Nordic Federation of Public Accountants (NRF)

Yes, the proposals are clear in that all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern should be addressed in accordance with ED-570.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

Yes, we believe that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern.

8. Individuals and Others

Altaf Noor Ali Chartered Accountants (ANA)

Yes.

We consider it right the course of action the Board took to keep the matter of going concern separate with the ISA-701 or any other ISA.

We are clear that ED-570 is a stand-alone document relating to the going concern.

Q15 - Agree with comments

2. Regulators and Audit Oversight Authorities

Financial Reporting Council (FRC)

YES, in most instances we agree that ED-ISA 570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern. However, the application material in paragraph A82 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. We suggest a simple solution to strike the words "in accordance with paragraph 36" from the end of the first sentence of paragraph A82, as the cross reference to the ISA 705 paragraph is sufficient.

Independent Regulatory Board for Auditors (IRBA)

Yes, 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 (i.e. auditor reporting is in accordance with ED-570 and not with ISA 701 or any other ISA).

We suggest that further clarification, including illustrative examples, may be required to provide guidance on when an auditor would reach a conclusion of expressing a qualified or an adverse opinion due to going concern issues. Although addressed in other statements, it is not clear in those statements or in ED-570 how the auditor should determine whether an issue that relates to going concern is "fundamental" and "pervasive."

For clarity, we suggest that paragraph A1 be moved to the requirements section of ED-570, under paragraph 1. Further, we recommend that paragraph A1 be split into two, with the second paragraph starting from "... In addition ...".

3. Jurisdictional and National Auditing Standard Setters

American Institute of Certified Public Accountants (AICPA)

Regarding clarity, we have some additional comments about conforming and consequential amendments:

We recommend the IAASB reject the deletion of "where applicable" language to ISA 700, paragraphs 29 and 50(f). Currently, this enables the auditor to report under two sets of standards (for example, ISA and GAAS) when going concern related reporting differs due to jurisdictional differences. By deleting this language, it could jeopardize the ability of auditors to use the layout or wording specified by the national auditing standards in accordance with paragraph 51 of ISA 700 (Revised).

Additionally, if the IAASB acts upon our recommendations noted in Questions # 13 and # 14, conforming and consequential amendments will be necessary consistent with our recommendations.

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB considers ED-570 clearly address the implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern except for one matter.

Paragraph A1 of ED-570 clarifies that for listed entities, the going concern section of the auditor's report and not a key audit matter, should cover instances where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists. Whilst this is consistent with the

proposed conforming and consequential amendment to paragraph 4 of ISA 701, paragraph 15 of ISA 701 should also be revised to clarify that communicating a key audit matter in the auditor's report is not a substitute for reporting in accordance with ED-570, including when events or conditions have been identified but no material uncertainty exists.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

Yes, this is clear but please consider our comments to question 13.

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

We believe that the draft addresses all implications for the auditor's report, but as noted in our responses to the questions above, we do not agree with some of the implications.

Public Accountants and Auditors Board Zimbabwe (PAAB)

The PAAB received divergent views on this question from its stakeholder consultations and the responses were as follows:

Response1:

PAAB is supportive of the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern for listed entities.

Response 2:

We do not support having the proposed standard address all implications for the auditor's report related to going concern. For example, we do not agree with the content of paragraph A1 of the proposed standard which expands the items addressed by this standard instead of ISA 701. We also believe it is inappropriate to not consider the existing reporting requirements in ISA 700 related to going concern and we are not supportive of potentially having multiple sections of the auditor's report discuss going concern matters.

4. Accounting Firms

CohnReznick LLP (CHR)

We believe ED-570, addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern. However, we have concerns, including those in our response to question 14 above.

Ernst & Young Global Limited (EY)

If our suggestions in Q14 are not taken, we believe 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. We believe that the consequential amendments proposed to clarify the relationship between ED-570 and ISA 700 (Revised), ISA 701, ISA 705 (Revised) and ISA 706 (Revised) effectively clarify that ED-570 is applicable when reporting matters related to going concern.

However, we suggest in our response to Q14 that the IAASB revise the auditor's reporting requirement for situations when, for an audit of financial statements of a listed entity, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but the auditor concludes that no material uncertainty exists, to require additional information in the auditor's report only in situations when the auditor has applied significant auditor judgment in making that conclusion. If this suggestion is implemented, further enhancements to the application material will likely be needed to clarify the relationship of the revised reporting requirement with ISA 701.

Grant Thornton International Limited (GT)

We agree that it is clear that ED-570 addresses all implications for the auditor's required conclusions and related communications about going concern, including when a material uncertainty exists or in close call situations. However, as noted in our response to question 14, we do not agree that close call situations should be disclosed in the Going concern section of the auditor's report. We are of the view that it is more appropriate for close call situations to be disclosed in the auditor's report when they meet the definition of a key audit matter and in the key audit matters section of the auditor's report and that such disclosures comply with the requirements of ISA 701.

KPMG International Limited (KPMG)

We note that this is likely to be inferred, given that all potential information is now required to be included within either the 'Going Concern' section or the 'MURGC' section. However, we believe there may be scope for inconsistency/different interpretation in practice, and we recommend that this be explicitly stated, either in a requirement similar to paragraph 36, which prohibits the inclusion of a 'Going Concern' or 'MURGC' section in the auditor's report in the event that the auditor disclaims an opinion on the financial statements, or, if such a prohibition is considered too strong, to explicitly clarify this in related application material.

We also recommend that the IAASB consider the implications for the auditor's report when there is a "close call" scenario for a non-listed entity, as the auditor of such an entity may also consider it appropriate to include a reference to the related disclosures (if any) in the financial statements and in the absence of further requirements or guidance, may include this in an Emphasis of Matter paragraph, rather than in the Going Concern section itself, as paragraph 33(b), which addresses this situation, is applicable only to listed entities. If the intention of the IAASB is that such information, whilst not required by the standard, would also be included in the Going Concern section, we suggest that the ED clarify this.

Mazars (MZ)

Yes – we believe it is clear. However, please note our concerns noted in paragraphs 25 and 26 – 29.

Mo Chartered Accountants (MCA)

ED570 does broadly and granularly address instances when a material uncertainty exists and when it does not and the procedures to adopt. Notwithstanding, events and circumstances may require amendments and re-calibration fit for purpose.

PriceWaterhouseCoopers (PwC)

It is clear that ED-570 addresses the implications for the auditor's report regarding the required conclusions and related communications about going concern.

Should the Board not agree with our recommendation in response to question 14 to utilise the KAM section of the auditor's report for close call situations, we recommend that paragraph A1 of ISA 701 be clarified to explicitly state that when the auditor makes reference to events or conditions in the auditor's report of a listed entity, having concluded there is no material uncertainty, such circumstances are not considered in the determination of matters of most significance in the audit in accordance with ISA 701. As drafted, there is ambiguity regarding whether auditors can also report going concern matters in accordance with ISA 701, in addition to their reporting obligations under ED-570. Providing explicit guidance in this regard would ensure consistency and alleviate any potential confusion for auditors.

5. Public Sector Organizations

UK National Audit Office (UKNAO)

We consider that ED-570 adequately addresses most of the implications for the auditor's report relating to going concern.

We are also pleased to note the introduction of paragraph A85 within the application guidance in ED -570 which provides clear guidance that the auditor may decide to include an emphasis of matter to highlight the basis of preparation of accounting in the circumstances where the financial statements have been prepared by a management on a basis other than going concern, but the auditor has determined that this basis of accounting is appropriate. This is an area where there has previously been divergence of practice in reporting, so this clarification is helpful in this context.

It would however be helpful if paragraph A85 could be further expanded to provide guidance on how to modify or not the Going concern section of the auditor's report in the circumstance described above where the financial statements have been prepared by a management on a basis other than going concern, but the auditor has determined that this basis of accounting is appropriate.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

Yes, the proposals are clear. Please also see our response to question 13.

Chamber of Auditors of the Czech Republic (CA CR)

Yes.

We propose to provide better guidance for situations where material uncertainty exists but is not properly disclosed in the financial statements. It is unclear when the auditor should qualify his/her opinion and when to issue an adverse opinion. This could be done by amending scenarios for illustrations 5 and 6. In Illustration 5 should be clearly stated that disclosures in the financial statements even if not adequate from the perspective of ISA 570 are sufficient to enable users of the financial statements to understand the situation. In Illustration 6 the description of the situation which leads to material uncertainty as provided in Illustration 5 should be repeated with the statement that no disclosure of such facts is provided in the financial statements.

Institute of Chartered Accountants of Scotland (ICAS)

We believe that this is substantively clear but please refer to our comments above in our response to question 14.

Malaysian Institute of Accountants (MIA)

Yes, we broadly support the proposed enhanced disclosure for audits of listed entities in circumstances when events or conditions exist that may cast significant doubt on an entity's ability to continue as a going concern, but the auditor concludes there is no material uncertainty, but caution that this needs to be addressed carefully to avoid users misunderstanding what this additional reporting by the auditor is signifying. Refer to response in Question 14 above.

Pan-African Federation of Accountants (PAFA)

Yes, we believe 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 (i.e. auditor reporting is in accordance with ED-570 and not with ISA 701 or any other ISA).

We suggest that further clarification, including illustrative examples, may be required to provide guidance on when an auditor would reach a conclusion of expressing a qualified or an adverse opinion due to going concern issues. Although addressed in other statements, it is not clear in those statements or in ED-570 how the auditor should determine whether an issue that relates to going concern is "fundamental" and "pervasive".

For clarity, we suggest that paragraph A1 be moved to the requirements section of ED-570, under paragraph 1. Further, we recommend that paragraph A1 be split into two, with the second paragraph starting from "... In addition ...

South African Institute of Chartered Accountants (SAICA)

We found the proposals and consequential amendments to the other standards sufficient to clarify that the reporting implications regarding going concern are dealt with in ISA 570 (Revised 202X).

Further clarification is required to provide guidance on when an auditor would reach a conclusion of expressing a qualified or an adverse opinion due to going concern issues. Although addressed in other statements, it is not clear in those statements or in ED 570 how the auditor should determine whether an issue that relates to going concern is "fundamental" and "pervasive".

The Malta Institute of Accountants (TMIA)

Sections 33 – 37 address the different possible scenarios, however, our comments on certain scenarios (eg "close call" situations) are included above (Q 13 & 14).

Q15 - Disagree

3. Jurisdictional and National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

We believe that our recommendations to:

remove the proposed auditor's statements required by para. 33(a) and 34(a) in Q13; and

place the description of the auditor's evaluation of management's going concern in KAM in Q14,

would enhance clarity on auditor reporting on going concern under the various scenarios contemplated.

4. Accounting Firms

Deloitte Touche Tohmatsu Limited (DTTL)

We do not support having the proposed standard address all implications for the auditor's report related to going concern. For example, we do not agree with the content of paragraph A1 of the proposed standard, which expands the items addressed by this standard instead of ISA 701. We also believe it is inappropriate not to consider the existing reporting requirements in ISA 700 related to going concern when suggesting changes to this proposed standard. We believe that it is critical to the understanding of the suite of ISAs that ISA 700 (and other reporting ISAs as necessary) be considered for revision so that changes to the auditor's report are considered holistically – both for successful auditor implementation and for understandability of

the report by users of the financial statements. See more details about our concerns as well as our recommendations in the Significant Concerns section of the cover note of this letter.

In addition, we do not believe the requirement in paragraph 35(c) (to have a “Material Uncertainty Related to Going Concern (MURGC)”) section when expressing a qualified or adverse opinion (due to inadequate disclosure in the financial statements because of a material uncertainty) is necessary. We believe that all disclosures for this circumstance belong in the “Basis for Qualified/Adverse Opinion” section of the audit report; including a separate MURGC section would be duplicative of the Basis for Qualified/Adverse Opinion section and is therefore not necessary. Accordingly, we recommend the change noted below to the proposed standard. See Appendix 3 for a consequential change to the report illustration as well.

Adequate Disclosure of a Material Uncertainty Is Not Made in the Financial Statements

If adequate disclosure about the material uncertainty is not made in the financial statements, the auditor shall:

- (a) Express a qualified opinion or adverse opinion, as appropriate, in accordance with ISA 705 (Revised);
- (b) In the Basis for Qualified (Adverse) Opinion section of the auditor’s report,:
 - (i) State that a material uncertainty exists and that the financial statements do not adequately disclose this matter;
 - (c) Include in the auditor’s report a separate section under the heading “Material Uncertainty Related to Going Concern” and:
 - (i) (ii) State that, notwithstanding the auditor’s qualified (adverse) opinion, the auditor concluded that management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
 - (ii) Draw attention to the Basis for Qualified (Adverse) Opinion section of the auditor’s report that states that a material uncertainty exists that has not been adequately disclosed in the financial statements.
 - (iii) State that the auditor’s conclusions are based on the audit evidence obtained up to the date of the auditor’s report, but future events or conditions may cause the entity to cease to continue as a going concern.

MNP LLP (MNP)

We believe that our response to question 14 above would enhance clarity on auditor reporting on going concern under the various scenarios:

No material uncertainty – no additional reporting on going concern; and

Close calls and Material Uncertainty for listed entities – additional reporting included in Key Audit Matters.

5. Public Sector Organizations

Office of the Auditor General New Zealand (OAGNZ)

No, we are of the view that it could be stated more explicitly in the ‘Scope’ section of ED-570, similar to ISA 701 and ISA 706.

6. Member Bodies and Other Professional Organizations

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

In summary, we feel that the proposed standard;

should further clarify (in conforming amendments to ISA701) when matters related to going concern should and should not be reported as a Key Audit Matter (see our response to Question 15), and

We believe that additional clarification is necessary and encourage the IAASB to consider conforming amendments to ISA701 so as to be clear that matters relating to the auditor's assessment of events or circumstances that may cast doubt on the entity's ability to continue as a going concern (irrespective of whether the auditor's conclusion is that there is a material uncertainty) are not described in the Key Audit Matters section. In addition, we encourage the IAASB to consider amending ISA701 so as to be clear that a circumstance indirectly related to going concern is not excluded from being disclosed as a Key Audit Matter when it is significant to the audit, independent of the implications that it may also have for going concern.

Extant ISA701 (paragraph 15) serves to exclude from Key Audit Matters those matters relating to the auditor's conclusion that there is a material uncertainty relating to going concern. With additional reporting being proposed in all circumstances, we believe that paragraph 15 needs to be amended so that 'close calls' that would sometimes be included as a Key Audit Matter are now not reported as such (as they will be discussed in the new going concern section of the Auditor's Report).

We also note that in many circumstances, matters that may indirectly be related to an entity's ability to continue as a going concern are also consistent with disclosure as a Key Audit Matter. These circumstances may be related to an auditor's assessment of management's assertions as to going concern, but may also be matters of significance to the audit for reasons other than their relationship to going concern.

Camacho-Minano et al. (2023) show that the number and nature of the disclosed Key Audit Matters is related to financial distress, thereby highlighting the relationship between going concern and Key Audit Matters. In the absence of greater clarity in paragraph 15 of ISA701, we fear that circumstances that would otherwise warrant Key Audit Matter disclosure are not reported on account of a relationship to going concern. We encourage the IAASB to consider making consequential amendments to Paragraph 15 of ISA701 to clarify the relationship between Key Audit Matters and reporting proposed under ED-570 and to reinforce that a connection between the circumstance and assessment of going concern does not preclude its reporting as a Key Audit Matter where its significance arises from matters other than its relationship to going concern.

8. Individuals and Others

Colin Semotiuk (CS)

ED-570 does not address many implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern for public sector auditors. Examples of going concern implications for public sector entities not addressed in ED-570 include:

legislation has been fully passed and therefore no material uncertainty regarding going concern exists as the public sector entity will be dissolved or consolidated (restructuring);

public sector entity has/has not included adequate disclosure of the dissolution or restructuring;

public sector entity is a going concern for over one year, however a dissolution date is known;

legislation is in reading but has not passed and therefore material uncertainty regarding the public sector entity exists; and,

the applicable financial reporting framework is acceptable even if the entity is not a going concern.

Q15 - No specific comments

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

International Association of Insurance Supervisors (IAIS)

International Forum of Independent Audit Regulators (IFIAR)

2. Regulators and Audit Oversight Authorities

Canadian Securities Administrators Chief Accountants Committee (CAC)

Committee of European Auditing Oversight Bodies (CEAOB)

Irish Auditing and Accounting Supervisory Authority (IAASA)

National Association of State Boards of Accountancy (NASBA)

3. Jurisdictional and National Auditing Standard Setters

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

No comment.

Hong Kong Institute of Certified Public Accountants (HKICPA)

We do not have any comments.

4. Accounting Firms

Crowe LLP (CROWE LLP)

Nexia Australia Pty Ltd (NAPL)

5. Public Sector Organizations

Office of the Auditor General of Manitoba (OAGM)

6. Member Bodies and Other Professional Organizations

ASEAN Federation of Accountants (AFA)

Center for Audit Quality (CAQ)

Colombia's National Institute of Public Accountants (INCP)

CPA Australia (CPAA)

No comment.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We have no further comments.

IFAC SMP Advisory Group (SMPAG)

The SMPAG have no comments in relation to this question.

Institute of Chartered Accountants in England and Wales (ICAEW)

Institute of Singapore Chartered Accountants (ISCA)

Malaysian Institute of Certified Public Accountants (MICPA)

We do not have any comments on this.

National Board of Accountants and Auditors of Tanzania (NBAA)

7. Academics

RMIT University (RMU)

8. Individuals and Others

Kazuhiro Yoshii (KY)