

Going Concern – Question 2

2. Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?

Q02 - Agree

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

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

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

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

International Association of Insurance Supervisors (IAIS)

Yes. For example, the IAIS supports the enhanced and new requirements in para 11-15 of ISA 570, which include a requirement for auditors to design and perform risk assessment procedures to identify events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. These new requirements, together with the associated guidance, ensure that ISA 570 is scalable, relevant and can be implemented globally and more consistently than the existing standard.

The IAIS also supports the explicit inclusion of a new paragraph in the auditor's report with the title "Going Concern" or "Material uncertainty related to Going Concern" for all entities, as this offers transparency to all users of the financial statements that the auditors have fulfilled their responsibilities in accordance with ISA 570. Explicit inclusion of a going concern paragraph may ensure less use of "boilerplate" wording in the auditor's report.

In addition, the IAIS welcomes the new application material in A7 of ISA 570 that provides examples of when an identified event or condition may present a fraud risk factor to be further considered and addressed by the auditors. The use of examples promotes consistent practice and behaviour amongst auditors. These

also facilitate an effective and timely response to identified risks of material misstatements due to an entity's going concern risk.

Promoting consistent practice and behaviour

The IAIS supports the enhanced and new requirements in paragraphs 11-15 of ISA 570, which include a requirement for auditors to design and perform risk assessment procedures to identify events and conditions that may cast doubt on the entity's ability to continue as a going concern. These requirements, together with the associated guidance, ensure that ISA 570 is scalable, relevant and can be implemented globally and more consistently than the existing standard.

International Forum of Independent Audit Regulators (IFIAR)

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

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

International Organization of Securities Commissions (IOSCO)

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

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Yes, we believe that the proposals of ED-570 when considered collectively will enhance and strengthen the auditor's judgments and work relating to going concern. The ED promotes a systematic approach to the assessment of going concern in the audit of financial statements, for example, more robust risk assessment procedures in planning for timely identification of events or conditions that may cast significant doubt on the entity's going concern, timely communication with those charged with governance, designing and performing audit procedures to evaluate management's assessment of going concern and inclusion of the auditor's work and conclusion regarding going concern in the auditor's report.

Financial Reporting Council (FRC)

YES, we believe that the proposals in ED-ISA 570 will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

Independent Regulatory Board for Auditors (IRBA)

The proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

3. Jurisdictional and National Auditing Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB considers the proposals will enhance and strengthen the auditor's judgements and work relating to going concern in an audit of financial statements. The enhanced requirements are likely to encourage the auditor to consider going concern at an earlier stage in the engagement process.

Japanese Institute of Certified Public Accountants (JICPA)

Yes. We believe that the proposals in ED-570 will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

Public Accountants and Auditors Board Zimbabwe (PAAB)

The PAAB agrees that the proposals considered collectively will enhance and strengthen the auditor's judgements and work relating to going concern. The auditor's judgements will be enhanced by the risk assessment and the audit procedures that are now required to evaluate management's assessment of the going concern assumption. The qualitative characteristics that have been considered in coming up with the proposals will also enable the auditor to exercise judgement that is more appropriate and relevant given the circumstances of the audit client.

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

4. Accounting Firms

Assirevi

ED-570 makes several references to the auditor's use of professional judgement to report going concern matters and specifically in the risk assessment, the assessment of any deficiencies in the entity's system of internal control, and situations of material uncertainty that may cast significant doubt on an entity's ability to continue as a going concern.

In our opinion, the proposed changes make it clearer when the auditor's professional judgement is required and better explain the connection with the other standards throughout the entire audit process.

In addition, the proposed separate paragraph on going concern in the audit report will provide its users with greater transparency (however, please also see our comments to question 13 in this respect).

Modifications to ISA 701 and ISA 706 have also been proposed to comply with the new requirements. The proposed modifications are clear and improve the auditor's use of the proposed International Standard on Auditing 570.

Crowe Global (CROWE)

The proposals in ED-570 collectively enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

PKF International Limited (PKF)

We are supportive of the proposals and believe that collectively, they should strengthen the work performed in respect of going concern, including judgments made by the auditor.

In our view, the proposals will also facilitate enhanced transparency regarding the auditor's responsibilities and work relating to going concern.

RSM International Limited (RSM)

Yes, we believe that, when considered collectively, the proposals in ED-570 will facilitate enhancing and strengthening the auditor's judgments and work relating to going concern in an audit of the financial statements.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAGC)

Yes, we believe the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

6. Member Bodies and Other Professional Organizations

ASEAN Federation of Accountants (AFA)

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

Botswana Institute of Chartered Accountants (BICA)

We believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

California Society of CPA (CALCPA)

Yes; we believe that the proposals in ED-ISA 570 will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

Chamber of Auditors of the Czech Republic (CA CR)

Yes.

Chartered Accountants Ireland (CAI)

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

We have no comments on the proposed requirements.

Federation of Accounting Professions of Thailand (FAPT)

Yes.

Institute of Certified Public Accountants of Uganda (ICPAU)

ICPAU believes that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

Institute of Chartered Accountants in England and Wales (ICAEW)

We consider that overall, the proposals will collectively enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

Instituto de Auditoria Independente do Brasil (IBRACON)

Yes. We would like to stress the need of education of all stakeholders when considering going concern, mainly entity management and those charged with governance.

Instituto Mexicano de Contadores Publicos (IMCP)

Based on the foregoing, we believe that the ED-570 proposals, considered collectively, will enhance and strengthen the auditor's judgments and work related to going concern in an audit of financial statements, including the transparency improvement through communication and reporting of the auditor's responsibilities and work.

Korean Institute of Certified Public Accountants (KICPA)

The proposed exposure draft is expected to 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.

Malaysian Institute of Certified Public Accountants (MICPA)

The improve and new requirements in ED-570 will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

National Board of Accountants and Auditors of Tanzania (NBAA)

Yes, we do believe that the proposals will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements.

South African Institute of Chartered Accountants (SAICA)

Yes, in our view the revisions sufficiently guide auditors in obtaining information that may assist with the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, and in obtaining audit evidence when assessing management's assessment of the going concern assumption.

The reminders in the proposed standard about the appropriate exercise of professional scepticism should result in a more critical assessment of audit evidence obtained, thus strengthening the auditor's judgements.

We also agree that the proposals enhance transparency about the auditor's conclusions regarding going concern and on the auditor's assessment in reaching those conclusions (regarding listed entities).

Q02 - Agree with comments

3. Jurisdictional and National Auditing Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

We agree that the proposals in ED-570 will enhance and strengthen the auditor's judgments and work relating to going concern.

As indicated in our responses to specific questions below, there are a number of areas where further examples and/or guidance would promote consistent practices and enhance the auditor's work relating going concern.

On enhancing transparency through the auditor's report, we have some concerns with the proposals. Our response to Q13 sets out our concerns and suggestions to address the concerns.

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

We agree that the ED strengthens the auditor's judgement and the required work effort relating to going concern in an audit of financial statements.

However, we should bear in mind that some events, with a potentially significant impact on the entity, remain unpredictable and/or will be sudden.

Given that the assessment of an entity's ability to continue as a going concern has inherent limitations that cannot be eliminated, we believe that the going concern expectation gap in an audit of financial statements will not diminish with improved transparency through communication and reporting of the auditor's responsibilities and work.

This gap in expectations will remain for the following reasons:

- Management is not required to disclose in the financial statements its assessment of the entity as a going concern (i.e. what assumptions management has made in assessing the entity as a going concern).
- There is no clear definition of the concept of "may cast significant doubt on the entity's ability to continue as a going concern" in financial reporting standards (it has been defined with an auditor's view in A5 of the ED)

Hong Kong Institute of Certified Public Accountants (HKICPA)

We agree that the proposals will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements. However, we have concerns on some of the areas, such as the proposed timeline over which the going concern assessment is made and the use of explicit statements regarding going concern in the auditor's report. They are discussed more fully in our responses to Q7 and Q13 below.

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

New Zealand Auditing and Assurance Standards Board (NZAuASB)

We agree that the proposals in ED-570 will enhance and strengthen the auditor's judgements and work relating to going concern in an audit of financial statements. In our view, the proposals will drive the auditor to clearly document their work on going concern.

We have identified some areas in our responses to specific questions below where further clarity would promote consistent practice and responses by the auditor.

Royal Dutch Institute of Chartered Accountants (NBA)

We believe that the proposals will enhance and strengthen the audit work in relation to going concern. While we object to the proposed generic reporting requirements for auditors in situations where the company does not report on going concern, we would suggest that IAASB clarifies that auditors could provide additional information in all situations where management reports on going concern, also in the cases where this is not required by the applicable financial reporting framework.

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

Finally, it is important to recognize that in some cases the entity's reporting differs from (conventional) going-concern based accounting. This may be the case for limited-life entities, or for entities that are in the process of liquidation. It is important that the standard explains how auditors need to apply or modify the requirements of the standard when dealing with such situations.

4. Accounting Firms

BDO International (BDO)

Yes, we believe that by emphasizing the importance of auditors' judgments and clarifying the requirements placed on auditors, ED-570, considered collectively, may lead to improved consistency in the quality of work relating to going concern, during an audit of financial statements.

However, we believe that the timely assessment by entity management and/or those charged with governance of the use of the going concern as basis for preparation of the financial statements is essential to enhancing the quality of an auditor's judgments and work. We therefore would like to highlight the importance of communicating to entity management and/or those charged with governance their roles and responsibilities (including disclosure responsibilities in the financial statements) related to going concern and with specific considerations for entity management of less complex entities.

CohnReznick LLP (CHR)

PERFORMANCE REQUIREMENTS

Regarding performance requirements, we agree the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work related to going concern. We incorporate our responses to other questions below.

REPORTING REQUIREMENTS

However, we do not agree with the inclusion of explicit statements that the auditor did not identify a material uncertainty. We believe such an inclusion is neither necessary nor appropriate and may not be in the public interest as the reporting requirements may be perceived as assurance on the solvency of an entity. The bulk of financial reporting and the audit thereon is based on historical information, i.e., events that have occurred.

We encourage the IAASB to engage in further dialogue with the International Accounting Standards Board (IASB) and other national accounting standards setters (e.g., FASB) about the need for enhanced reporting requirements on going concern. In this regard, we note that neither IASB nor FASB require management to make an affirmative statement regarding an entity not having identified a material uncertainty related to

events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We believe it is inappropriate for the auditor to make such a statement, particularly when management is not yet required to do so.

Going concern is forward looking and by indicating the auditor has not identified a material uncertainty, the auditor can be viewed as giving assurance as to solvency. Such is not in the public interest and will create a moral hazard for investors who may no longer consider it incumbent upon them to evaluate the entity's solvency. Further, the expansion of the audit report with further auditor discussion, beyond basic responsibilities and the overall opinion, may erode the importance of management's financial statements themselves and create a hazard for investors by implicitly implying the auditor's report has all relevant information.

Deloitte Touche Tohmatsu Limited (DTTL)

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

Ernst & Young Global Limited (EY)

We believe the proposals in ED-570 will enhance and strengthen the auditor's judgments and work related to going concern in an audit of financial statements. However, in our view and consistent with our response to Q14 below, enhancements to the ISAs alone are not likely to have a substantial effect on enhancing transparency about going concern or in eliminating the expectation gap.

As we included in our response to the IAASB's Discussion Paper on Fraud and Going Concern in an Audit of Financial Statements (dated 01 February 2021), we believe an information gap exists between the information that an entity is required to disclose about its going concern assessment and the information stakeholders need to understand the viability of an entity, because the threshold for disclosures specific to going concern is quite high. We believe this is a strong contributor to the expectation gap that exists with respect to the auditor's responsibilities for going concern.

We acknowledge and appreciate that the IAASB has engaged with the IASB on multiple occasions about potential enhancements to IFRS related to going concern. We also are appreciative that the IASB issued educational material that is helpful to explain the application of IFRS requirements to material uncertainties related to going concern. Nevertheless, we continue to believe that the accounting standards are in need of enhancement.

To address these gaps, and because there is an interrelationship with accounting frameworks as it relates to addressing auditor responsibilities for going concern, we recommend that the IAASB continue to engage with the IASB on the importance of commencing a project to clarify going concern requirements in IFRS. We believe that robust management assessments are essential to the auditor being able to perform robust evaluations of those assessments, and both are essential to high levels of transparency about an entity's ability to continue as a going concern.

Considering recent economic developments and uncertainties, we believe it is increasingly important for the IASB to revisit the IFRS requirements that address going concern. In that case, the following may be considered:

The difference between the material uncertainty threshold and liquidation basis of accounting threshold. Currently, perceptions may exist that the disclosure of a material uncertainty may become a self-fulfilling prophecy of an entity's failure.

The threshold(s) for when disclosures about the entity's ability to continue as a going concern, and management's assessment thereof, are required.

The location of the going concern disclosures, in particular, whether there is a need to present in one place all information relevant to the going concern assessment.

The entity-specific information to disclose about going concern (e.g., events and conditions identified, significant assumptions).

The period covered by the going concern assessment.

To effectively address user needs for information about an entity's ability to continue as a going concern, greater transparency in the financial statements about management's assessment is necessary first, in our view, for the auditor to substantially increase transparency about the work performed to evaluate that assessment. We see a significant risk of unintended consequences, including widening the expectation gap, should auditor reporting requirements be expanded in a manner that would put the auditor in the position of disclosing information about the entity's viability that is not included in the financial statements, or is not included in the context of going concern (refer also to our response to Q14 for our concerns regarding the current auditor reporting proposals for audits of listed entities).

Grant Thornton International Limited (GT)

We are of the view that the proposed requirements relating to the procedures to be performed by the auditor in assessing the risk of material misstatement and responding to that risk are largely reflective of the appropriate application of the ISAs, such as ISA 315 (Revised 2019). Incorporating into ED-570 may therefore facilitate consistency in approach across firms of all sizes and jurisdictions. However, we question whether the enhancements to transparency through communicating and reporting will significantly affect the procedures performed by the auditor or the professional judgments made. As we noted when the auditor was first required to report key audit matters in accordance with ISA 701, the auditor's work in relation to those matters and the judgments reached were likely not affected by the requirement to report such.

KPMG International Limited (KPMG)

We believe that collectively, the proposals will enhance and strengthen the auditor's judgements and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

However, we have significant concerns with certain aspects of the proposed revisions and we set out further details of these, and our related recommendations, in the questions below.

Mazars (MZ)

Subject to our concerns expressed in question 1: Yes, we believe the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work.

MNP LLP (MNP)

ED-570 may enhance and strengthen the auditor's judgements and work relating to going concern for certain audits, however, as noted above we believe that it will not add value to audits of certain entities such as less-complex entities, not-for-profit organizations or public sector entities. We also do not believe that the proposals will enhance transparency through communicating and reporting the auditor's responsibility and

work. On the contrary, it may dilute the messages intended to be communicated in the audit report as too much information is required to be disclosed, especially when there is no material uncertainty relating to going concern. The readers may be distracted from information that is more relevant to the users of the financial statements. See further discussion in question 13.

Mo Chartered Accountants (MCA)

If adherence to all the guidelines and procedures in the ED are followed, it is expected that this will strengthen auditor judgements and going concern work so long as there are no independence or other threats that will impair the auditor judgement if corrective and mitigating measures are not adopted.

PriceWaterhouseCoopers (PwC)

We believe the proposals in ED-570 should serve to enhance the overall effectiveness of the auditor's work related to going concern, reinforcing a high-quality financial statement audit.

The enhanced work effort requirements regarding the evaluation of management's assessment are reasonable. In our detailed responses to questions 6 through 10, we provide specific comments and suggestions on each of the proposed areas of significant change.

We believe that the enhanced requirements promoting two-way communication with those charged with governance are important changes. However, the effectiveness of such communication relies on the existence of appropriate responsibilities for, and accountability of, those charged with governance within the broader corporate reporting ecosystem. As we note in our response to question 1, working with other stakeholders to promote broader ecosystem-wide reform would best serve the interests of users of corporate reporting.

We are also supportive of the majority of the enhanced transparency requirements for the auditor's report. Our detailed responses to questions 13 to 15 include specific comments and recommendations in support of the Board's stated public interest objectives while seeking to ensure that users of the auditor's report understand the nature and implications of the proposed disclosures.

In supporting the changes to ISA 570 (Revised), we note that enhancements to engagement level standards are most likely to achieve the desired public interest objectives when underpinned by an effective firm system of quality management. The firm's system of quality management can play an important role in supporting effective engagement level responses to going concern related risks.

Specifically, effective resources (intellectual) and information and communication components within the firm's system can support engagement teams by providing mechanisms to communicate, on a timely basis, relevant information related to potential risks and emerging going concern issues to engagement leaders and teams. This can be achieved, for example, through centralised databases or other tools that consolidate market and analytical data, ensuring consistent, easily accessible information for engagement partners. Such initiatives could significantly enhance the quality of going concern analysis and discussions by providing up-to-date and relevant information for informed decision-making and comprehensive risk assessment by engagement teams.

5. Public Sector Organizations

Office of the Auditor General New Zealand (OAGNZ)

Yes, but we do not fully support the proposed auditor reporting requirements. See our responses to questions 13, 14, and 16.

UK National Audit Office (UKNAO)

The proposals set out within ED-570 are broadly similar to the change made to ISA (UK) 570 by the UK's FRC in 2019. We have found these changes to be beneficial in strengthening the auditor's evaluation of management's assessment of going concern where it is appropriate to do so. The changes to auditor reporting have also helped to increase understanding amongst users of the financial statements of the auditor's responsibilities and work on going concern. We are therefore supportive that the proposed changes will achieve this aim.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

Yes, we believe that the proposals will enhance and strengthen the auditor's judgments and work in relation to going concern. However, the generic reporting requirement for auditors should be limited to cases where the entity discloses its going concern assessment as per the applicable financial reporting framework. In other cases, it should be up to the auditor's judgment as to whether additional information should be provided in the auditor's report with regards to going concern.

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

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

We believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements. We believe, however, that there are unrealised opportunities to further enhance and strengthen the auditor's judgments and work in this area.

We commend the IAASB in their work in this critical area of the audit and believe that the proposals in ED-570, when considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern. We note, however, that there are opportunities for the IAASB to further enhance the proposals to improve auditor's work in the area of going concern. In particular, with reference to the extant research literature, we encourage the IAASB to reinforce the importance of going concern in audits of smaller and/or less complex entities, increase the auditor's focus on alternate future scenarios that management may not have considered, refer to auditor biases that may constrain the exercise of professional scepticism, consider numerical expressions of probability as a means of providing clarity to the meaning of Material Uncertainty (Related to Going Concern), reflect on the merit of requiring the audit team discussion to include consideration of events or conditions that may give rise to a material uncertainty, and to harmonise auditor reporting on going concern across all entities and circumstances.

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

In summary, we feel that the proposed standard; will broadly enhance and strengthen auditors' judgments and work relating to going concern, but believe that there are opportunities for the IAASB to further enhance the requirements and application and other explanatory material (see our response to Question 2),

Overall, we believe that the proposed standard, when considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern, but that there remain opportunities for the IAASB to further improve the proposed standard prior to issue.

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

We believe that some of the proposals are likely to enhance and strengthen the auditor's judgement and work relating to going concern in an audit of financial statements. However, we have concerns regarding some of the proposals which we discuss in our responses to the specific questions.

Colombia's National Institute of Public Accountants (INCP)

Yes, the clarity given to the auditor's obligation to communicate and report the existence of material uncertainties regarding the entity's ability to continue as a going concern is very important. However, we believe it should be clarified that management is also responsible for communicating these circumstances and it is not only the auditor's duty to communicate with applicable regulatory, enforcement or supervisory authorities. In line with this, companies must be stronger in building models so that they can be audited and included in the associated disclosures made by management.

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

In general, we believe that the proposals in ED -570 will strengthen the reliability of the opinion and of the work to be carried out on going concern within an audit of financial statements. As to the enhancement of transparency through communicating the auditor's responsibilities and work, we expected however more emphasis on the fact that the audit procedures on going concern remain subject to a lingering uncertainty since management's assessments are based on forecasts that, by their nature, are subject to a certain level of uncertainty. Furthermore, the addition of a specific paragraph on going concern, also when uncertainties on going concern do not exist, could be misleading and create further expectations in the users of financial statements.

Therefore, we positively welcome the changes that will lead to an improved scalability of the audit procedures. They will also result in a better comparability and effectiveness of statements in the auditor's report and provide more transparency of the inherent limitations to the going concern assessment process, which is based on forecasts that, by their nature, incorporate a certain level of uncertainty.

CPA Australia (CPAA)

Subject to our comments in this submission on the proposals to enhance transparency, we agree that the proposals in ED-570 will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements. We believe the enhancements proposed in ED-570 will better align with the requirements of the newer ISAs such as ISA 315 Identifying and Assessing the Risks of Material Misstatement (ISA 315), ISA 540 Auditing Accounting Estimates and Related Disclosures (ISA 540) and the proposed ISA 500 Audit Evidence (ED-500), which will further promote better documentation and consistency in practice.

As noted in the cover letter and in our responses to Q1, Q13 and Q14, we do not support additional reporting requirements in the auditor's report without the corresponding enhancement to the going concern disclosures in the financial statements.

European Federation of Accountants and Auditors for SMEs (EFEAA)

Yes, to some extent.

We believe the proposals will enhance transparency but will have less of an impact on strengthening the auditor's judgments and work in relation to going concern. Reviewing management's assessment of going concern, by its very nature forward looking, demands significant judgment. There are numerous factors that can impact the company's position that are outside of the knowledge and control of management and the auditor at the point in time the financial statements are prepared, and the auditor's report signed. Many things, like extreme weather events, are impossible to predict in advance or address in this standard.

Some auditors are criticized for failing to challenge what management are asserting. However, where the nature of an assertion and its assessment are forward looking, there needs to be a recognition of the difficulty in making a challenge. We wonder whether, in the interests of fostering realistic expectations, it would be useful for the standard to further stress the inherent difficulties in this area and explain the complexity of judgements in relation to going concern. This might be done by way of some illustrative examples.

IFAC SMP Advisory Group (SMPAG)

The SMPAG believes the proposals will enhance transparency, but there will be a limited impact in strengthening the auditor's judgments and work in relation to going concern. Reviewing management's assessment of going concern is one of the rare forward-looking areas in an audit, making the exercise of judgment even more challenging. There are potentially unlimited factors that can impact the company's position that are outside of the knowledge and control of management and the auditor at the point in time the financial statements are prepared, and the auditor's report signed. The impact of factors occurring subsequently such as a pandemic or industrial action could have the most severe impact on an entity's ability to continue trading for the foreseeable future but may be impossible to predict in advance or address in this standard.

In some jurisdictions, auditors are criticized for adopting a view that aims to corroborate rather than challenge what management are asserting, and this is ordinarily a valid point. However, where the nature of an assertion and its assessment are forward looking, there needs to be an acknowledgement that only limited challenge can be made about future events. To foster realistic expectations, it would be useful for the proposed revisions to have flagged the difficulties in this area further and explain why there is an added layer of complexity for judgements in relation to going concern. This could also be emphasized in proposed disclosures, though we note there are issues with increasing the length of the auditor's report too, which we will later raise. It is important for the standard to acknowledge the limitations in this area because in some jurisdictions there may be auditor liability issues, for example where audit partners signing the engagement may have unlimited personal liability. A lack of clarity about the challenges and failure to manage the expectations gap could lead to feelings of perceived excessive risk for such individuals, ultimately driving them out of the profession.

Institute of Chartered Accountants of Scotland (ICAS)

Yes, we believe that the proposals in ED-570, when considered collectively, will do so. Our only concern relates to the proposal in situations where there is a "close call". Please refer to our response to question 14 in this regard.

Institute of Chartered Accountants of Sri Lanka (ICASL)

We believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements. The proposed changes will:

Require the auditor to obtain a deeper understanding of management's process for assessing going concern. This will help the auditor to identify and assess risks of material misstatement related to going concern more effectively.

Require the auditor to be more proactive in their evaluation of going concern. This will help the auditor to identify and address going concern issues earlier in the audit process.

Require the auditor to be more transparent about their work related to going concern. This will help to ensure that users of the financial statements have a better understanding of the auditor's responsibilities and work related to going concern.

We believe that these changes will make the audit process more robust and will help to ensure that the financial statements are prepared on a going concern basis.

However, the proposed changes will require the auditor to communicate more effectively with those charged with governance and with users of the financial statements. But there is an inherent limitation of audit and assessing the prospective information is a challenge.

Therefore, we suggest that it should not be a mandatory requirement and should be based on the type and size of the entity subject to audit.

Institute of Singapore Chartered Accountants (ISCA)

We believe that the proposals collectively might strengthen the auditor's judgments and work relating to going concern. However, we hear concerns that certain new or enhanced requirements present challenges in practical implementation and may be too onerous on the auditors should auditor reporting requirements be expanded in a manner that would put the auditor in the position of disclosing information about the entity's viability that is not included in the financial statements, as elaborated under our responses to Questions 8, 9 and 13.

Malaysian Institute of Accountants (MIA)

Yes. Risk assessment procedures are required from the auditors in identifying events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Based on the identified issue on going concern, appropriate audit procedures are required.

To enhance the transparency and communication to the users of the financial statements, a separate section in the audit report relating to going concern is required from the auditors. This separate section will be communicating whether there is any going concern risk identified by the auditors as well as the audit procedures carried out to address the identified risk.

However, where the nature of an assessment is forward looking, there needs to be an acknowledgement that only limited challenge can be made about future events. It would be useful for the proposed revisions to further identify the difficulties in this area and explain why there is an added layer of complexity for judgements in relation to going concern. This could also be emphasized in the proposed disclosures too although we note that there are also issues with increasing the length of the audit report.

Nordic Federation of Public Accountants (NRF)

We refer to our response to Q1 and would like to add the following. Yes, we believe the proposals will enhance the auditor's work and that in situations where there are risks related to going concern, the proposals could strengthen the auditor's judgments. However, due to the holistic approach and the fact that

in many audits there are no or limited issues with going concern, there is a risk that the overall additional work effort will not lead to corresponding added value for the users of the audit report.

The proposals will enhance transparency, but we are not convinced that all those proposals will reduce the expectation gaps.

Pan-African Federation of Accountants (PAFA)

We believe that the proposals in ED-570, considered collectively, will enhance transparency, however, we support the view that there will be a limited impact in strengthening the auditor's judgments and work in relation to going concern on the basis that the forward-looking nature of reviewing management's assessment of going concern makes the exercise of judgment challenging as there are numerous factors that can impact the company's position that are outside of the knowledge and control of management and the auditor at the point in time the financial statements are prepared, and the auditor's report signed. To manage expectations, it would be beneficial for the proposed revisions to further articulate the challenges in this area and explain why there is an added layer of complexity for judgements in relation to going concern.

Saudi Organization for Chartered and Professional Accountants (SOCPA)

We overall agree that the proposals in ED-570 could enhance auditors' judgements and work relating to going concern in an audit of financial statements. This is based on the assumption that the incremental information in the audit report should enhance the audit quality as well as benefit the end users of the audit report. The proposals in ED-570 are helpful in providing a coherent approach for auditors to follow in fulfilling their responsibilities pertinent to going concern. Nonetheless, the proposals appear sometimes too detailed (e.g. the use of a long list of events and conditions to be considered in making an assessment (e.g. A6)) to the extent that it reinforces checklist mentality at the expense of stressing the practice of professional judgment and professional skepticism. The use of examples and a list of matters to be considered while making a judgment could be very helpful, but the point that we try to address is that a balanced approach that encourages auditors to use their sound professional judgment while providing sufficient (not very detailed) guidelines could be better to avoid the undesired understanding of the use of such detailed guidance.

The proposals in ED-570 expansively refer to the demand for auditors' practice of their professional judgment to assess the appropriateness of an entity's management use of going concern basis in preparing the financial statement under audit, whether an entity's management has evaluated the entity's ability to continue, the quality of management's evaluation, the availability of material uncertainty (including the identification of going concern-related events and conditions, assessment of their impact, and the assessment of the impact of subsequent events to the period of management's assessment), the comprehensiveness of audit procedures to consider audit evidence (corroborative and contradictory types of audit evidence), and the appropriateness and sufficiency of audit evidence gathered. This requirement for auditors to heavily practice professional judgment has its limitations, and it could expose audit quality to criticism as auditors' decision-making process will be overwhelmed with different judgments, some of which will relate to the quality of client management's judgment which is an area of concern in itself. Communicating this heavy reliance on professional judgment (e.g. describing how they evaluate management's assessment and future plans to respond to risks of going concern in the audit report) could ascertain the concern we expressed in the previous point. It has been evident in the auditing literature that auditing and documenting estimates is a profoundly challenging task. Thus, incremental requirements to document and communicate more judgments could result in an extra challenge to auditors in practice, and to regulators overseeing the work of auditors. For instance, it is espoused that an expanded audit report

should help users to gain a better understanding of auditors' responsibilities and their opinion on the financial statements, however, no explicit evidence of this has been found in the audit literature since the expanded audit report first required.

The Malta Institute of Accountants (TMIA)

Strengthening auditor's judgement and work

The proposed changes promote robust risk assessment procedures at the onset of the audit, mainly by aligning with the requirement to design and perform risk assessment procedures with those in ISA 315R. Furthermore, the inclusion of guidance, for example, in relation to the review of methods, assumptions and data used by management in their assessment also aim to identify and perform appropriate audit procedures (whilst also aligning with the existing ISA 540R). New and strengthened requirements for communication with TCWG will also promote more transparent dialogue to perform a more thorough review of management's assessment. The concept of professional scepticism is being reinforced again in the proposals.

Having said this, we still believe that appropriate judgment was being applied under the extant ISA 570R and therefore more explicitly required procedures will not necessarily promote enhanced judgment.

Transparency

The forming of a specific opinion by the auditor will place more onus. This same onus is not being sought by directors/management and therefore this requirement seems to place more burden on the auditor rather than management in relation to the risk of going concern.

For listed entities, the requirement to disclose the procedures performed by the auditor in the audit report may provide more transparency. This transparency, however, is considered to be more useful in those instances where specific risks (significant) have been identified. We note that similar disclosures are required for listed entities in close-call situations and situations where material uncertainty has been identified (i.e. a description how the auditor evaluated management's assessment. This will tend to reduce the importance of these disclosures in instances where there is material uncertainty and which therefore may require more disclosure. Further consideration should be given to "close-call" situations for audits of listed entities.

There are also competing arguments as to whether these reporting requirements are more appropriately disclosed in the going concern section or as a KAM. The proposal seems to indicate that such matters should not be included in the KAM section, although the purpose of KAMs is to highlight areas that are of most significance in the audit (and going concern could be one of these areas). Further clarity is being sought in this regard.

8. Individuals and Others

Ataf Noor Ali Chartered Accountants (ANA)

Yes.

The proposals in ED 570 are relatively more elaborate than extant ISA-570.

We believe that the proposals in ED-570 enhances and strengthens the auditor's judgement and work on going concern in an audit of financial statement.

The proposals include commencing of twelve-month period from the date of approval of financial statements, early communication of auditor with TCWG and exclusive reporting on the status of going concern.

Bridge expectation gap by stating in the audit report that: our opinion is based on the conditions existing at the time of signing of this Report, there are no material uncertainties to report on status of the entity as a continuing entity.”

We also consider substituting the term “going concern” with “continuing entity” on the grounds that it is readily understandable and easy to translate in other languages.

Substitute the term ‘going concern’ with the “continuing entity” or the ‘Principle of Continuity of an Entity’ to address public interest and understanding. R2/R16

Q02 - Disagree

5. Public Sector Organizations

Provincial Auditor Saskatchewan (PAS)

No, the proposed changes will not enhance and strengthen the auditor’s judgements and work relating to going concern.

Overall, our view is that ISA 570 (Revised 202X) imposes requirements on management to prepare a going concern assessment. Auditing and assurance standards are not an appropriate place to impose such a requirement on management. Requirements for management to prepare certain information belong in accounting standards.

In addition, ISA 570 (Revised 202X) does not appropriately consider the uniqueness of the public sector environment. For example, the revised standard could potentially create a misalignment between public sector accounting standards and auditing standards (i.e., if public sector accounting standards do not require a going concern assessment). Other public sector concerns that have not been taken into consideration include scalability of the standard for small agencies and the ability to obtain adequate information from a public sector agency in order to evaluate management’s going concern assessment (e.g., information may be included in budget documents that have not yet been publicly released, and therefore cannot be made available to the auditor for the time period required).

The proposed changes to the auditor’s report also could create unrealistic expectations of what the auditor has evaluated. Users of the financial statements could perceive that auditors are providing a greater level of assurance on an agency’s ability to continue as a going concern than is actually being provided. The purpose of the auditor’s report is to report on historical financial information, and not forward-looking financial information. The proposed changes also result in various aspects in the auditor’s report being treated inconsistently (i.e., conclusions provided on some aspects of the audit, but not others). This does not enhance transparency through communicating and reporting about the auditor’s responsibilities and work.

8. Individuals and Others

Colin Semotiuk (CS)

No, as noted above, ED-570 increases the going concern standard from approximately 20 pages to 60 pages and increases the work on forward looking information. It is a case of standards overload. ISAs should stay focused on auditing the financial statements, which are historical financial information, and not introduce requirements that increase possible confusion by increasing the communication in the auditor’s

report to include audit procedures on going concern. Recent publicized going concern failures are not due to issues within the ISAs, specifically ISA 570, so changes to ISA 570 would not have prevented them from happening, and it is unclear whether ED-570 would have resulted in a different reporting outcome.

Q02 - Neither agree nor disagree

3. Jurisdictional and National Auditing Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

As mentioned above (para.2), an audit is only possible on the basis of management's statements/assertions. Since most accounting standards (at least not the local Austrian GAAP) do not contain an explicit disclosure by management on going concern assessment, an explicit statement by the auditor in the auditor's report is not possible.

The IAASB obviously implies the regulations according to IAS 1. However, in contrast to ISA 570.3 with its reference to IAS 1, in our opinion, IAS 1.25 also does not require an explicit disclosure by management, but only - as in other accounting standards - that management as a whole must assess the entity's ability to continue as a going concern in addition to a legal presumption to do so. Other auditing standards (e.g. ISA UK 570.10-1) require an explicit viability statement from management. The distinction between explicit and implicit disclosure becomes more important.

Also, the unchanged reference in ISA 570.7 last sentence, that the auditor's report related to a material uncertainty is not a going concern guarantee is to be extended in the light of the planned changes also to the now required statement in the audit opinion (see question 13).

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

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

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

While the proposals in the draft considered collectively are heading in the right direction to strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, our responses to Questions 3 to 10 (excluding Question 7) indicate that greater clarity is needed as to what management's assessment entails, and when work effort is required of auditors on parts of that assessment, and when the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern are being considered before or after consideration of management's plans for future actions. We are not in favor of the extension of the period of assessment as set forth in our response to Question 7. As set forth in our response to Questions 13 to 15, we support some of the improvements for enhancing transparency and reporting, but not those set forth as proposed in paragraphs 33 (a) and 34 (a).

Q02 - No specific comments

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

American Institute of Certified Public Accountants (AICPA)

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

Center for Audit Quality (CAQ)

7. Academics

RMIT University (RMU)

8. Individuals and Others

Kazuhiro Yoshii (KY)