

Going Concern

Edo Kienhuis

Going Concern Task Force (GC TF) Chair

IAASB Meeting

June 18-21, 2024

GC TF and Staff



Activities and Outreach since March 2024



Liaison and Engagement with Accounting Standards Setting Bodies

- Discussions with IASB
- Letter from IAASB Chair highlighting the feedback



Stakeholder Outreach

- Stakeholder Advisory Council (SAC)
- Outreach with investors or users



Monitoring Jurisdictional Developments

- Standard-setting initiatives
 - Research papers

April 2024 SAC Discussion

- Timeline
 - General support for the IAASB's rationale behind the proposal
 - Concerns that the IAASB is stepping out of its standard-setting remit
- Explicit statements
 - Some supported they convey greater transparency to users
 - Some concerned about widening the expectation gap and user misunderstanding that the auditor has greater responsibility than management for going concern
- Mixed views for extending the requirements for listed entities to apply more broadly to all entities, including for public interest entities (PIEs)

Focused Discussions with Investors or Users

- Support for the explicit statements
 - Improvement over extant 'reporting by exception' model
 - Provide clarity that liquidation accounting has not been applied
 - Prominence whether (or not) a material uncertainty has been identified
- Support for the enhanced communication for listed entities
 - Some views that the threshold 'events or conditions' is an arbitrary cut off point that is not be helpful
 - Support for extending the applicability to entities other than listed (e.g., PIEs)
- Timeline – mixed views

Heatmap* of Key Themes From Feedback Received



* Checked topics will be discussed with the Board in June 2024

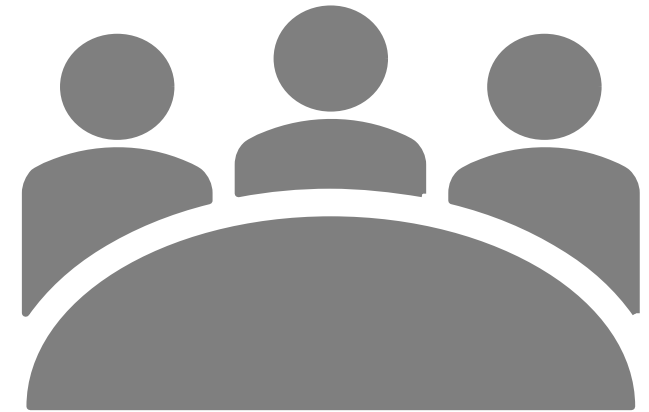
Public Interest Issues and Enhanced Auditor's Judgments and Work Related to Going Concern

- Broad support for the
 - Public interest issues
 - Enhancements for the 'performance' aspects of the standard
- Aligning auditing and accounting standards seen in the public interest
 - Engagement and liaison with the IASB on going concern should continue
- Matters to be also considered
 - Ecosystem efforts – necessary to establish trust and narrow the expectation gap
 - Calls for action from IASB – improvements needed to the financial reporting framework for going concern

Matter for IAASB Consideration

Question 1

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



Key Changes in Response to the Feedback

Professional Skepticism

- Enhancing the examples for
 - Contradictory information
 - Indicators of possible management bias

Matters for IAASB Consideration

Question 1

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

Question 2

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



**Paras. 18, 29 and
A10, A32, A57–A60**

Key Changes in Response to the Feedback

Definition of Material Uncertainty (Related to Going Concern)

- Removed “auditor’s professional judgment” from the definition
- Relegated the reference to “disclosures” to the application material
- Elevated the phrase “may cast significant doubt” to the definition

Matters for IAASB Consideration

Question 1

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

Question 3

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



**Paras. 10 and A4–
A5A**

Key Changes in Response to the Feedback

Risk Identification and Assessment

- Clarified the requirement to avoid a perception that the auditor is responsible to identify all events or conditions
- Elevated from the application material to the requirements the key concept that events or conditions are considered on a gross basis

Matters for IAASB Consideration

Question 1

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

Question 4

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



**Paras. 11–15 and
A6–A9, A11–A12,
A15–A28**

Key Changes in Response to the Feedback

Timeline Over Which the Going Concern Assessment is Made

- Retained the request for an extension – supports the public interest when going concern assessments include more relevant and current information
- Distinguished between management's unwillingness to *make* or *extend* an assessment
- Guidance to emphasize that the level of detail and formality of management's update to extend its assessment may vary from entity to entity
- Examples for the engagement letter

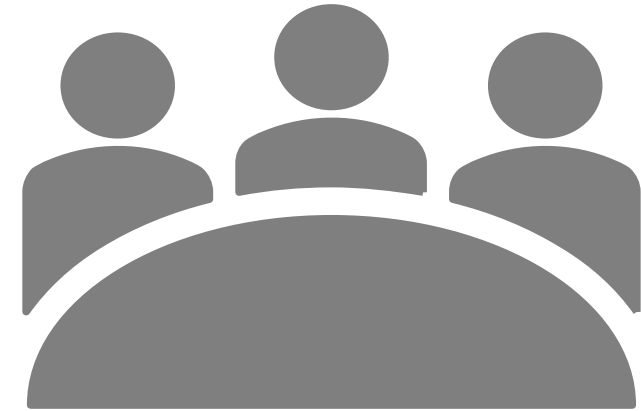
Matters for IAASB Consideration

Question 1

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

Question 5

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



**Paras. 16, 21–23 and
A28A, A42–A45**

Key Changes in Response to the Feedback

Communication with Those Charged With Governance (TCWG)

- Recognized in the requirements the:
 - “Timeliness”
 - Communication about the auditor’s evaluation of management’s assessment of going concern
- Enhanced the examples to illustrate robust communications with TCWG

Matters for IAASB Consideration

Question 1

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

Question 6

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



**Paras. 39–39A and
A87–A89**

Key Changes in Response to the Feedback

Communication with Appropriate External Parties

- Difficulty to operationalize a global requirement that applies regardless of law or regulation given jurisdictional variations
- Enhanced the application material to:
 - Promote early communication when significant going concern issues are identified
 - Encourage communication when no responsibility is established by law or regulation

Matters for IAASB Consideration

Question 1

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

Question 7

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



**Paras. 40 and A90–
A93**

Key Changes in Response to the Feedback

Explicit Statements About Going Concern in the Auditor's Report

- Retained and provided context about the explicit statements to support users understanding that they are not
 - An opinion on a discrete matter in the audit
 - A guarantee on the future viability of the entity
- Application material and examples for cross referencing to the respective responsibilities of the auditor and management

Matters for IAASB Consideration

Question 1

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

Question 8

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



**Paras. 33(a), 34(a),
34(f), 35(c); A67–
A70, A79–A81 and
Illustrations 1-6 in
the Appendix**

Key Changes in Response to the Feedback

Enhanced Communication in the Auditor's Report for Listed Entities

- Retained the proposal to describe in the auditor's report how the auditor evaluated management's assessment
- Clarified the threshold for reporting "close calls"
 - "Significant management judgments"
- Matters under consideration
 - Placement of the communication (KAM vs Going Concern section)
 - Extending the communication to apply to entities other than listed, including for public interest entities

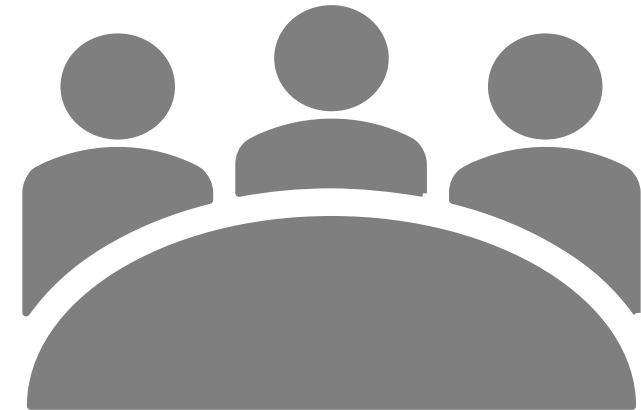
Matters for IAASB Consideration

Question 1

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

Question 9

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

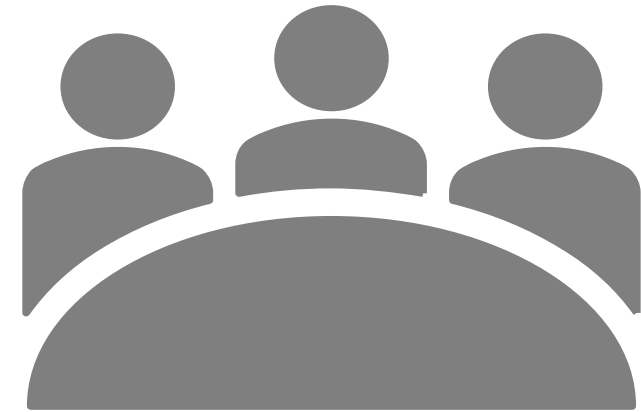


**Paras. 33(b), 34(d);
A1A, A71–A78, and
Illustrations 2, 4 in
the Appendix**

Matters for IAASB Consideration

Question 10

The GC TF is seeking input from the Board on whether there are any other matters that should be considered for using the KAM section, instead of the Going Concern section, as the placement for the enhanced communication in the auditor's report for listed entities.



**Paras. 33(b), 34(d);
A1A, A71–A78, and
Illustrations 2, 4 in
the Appendix**

Key Changes in Response to the Feedback

Clarity of the Implications for the Auditor's Report

- Clarifications to the application material for:
 - The scope paragraphs
 - When the auditor disclaims an opinion

Matters for IAASB Consideration

Question 1

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

Question 11

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



**Paras. 1, 36, 37 and
A1–A1A, A82–A85**

Key Changes in Response to the Feedback

Written Representations

- Strengthened written representation requirements to address the
 - Appropriateness of management's use of the going concern basis of accounting
 - Completeness that all events or conditions have been disclosed to the auditor and are included in management's going concern assessment
 - Adequacy of the disclosures

Matters for IAASB Consideration

Question 1

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

Question 12

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



**Paras. 37A–38 and
A86**

Going Concern: Way Forward to Final Approval

- Ongoing outreach with:
 - Prudential Regulators (targeted on key issues from ED-570)
 - IASB and IPSASB
 - Other key stakeholders as part of general outreach program
- Coordination with IESBA and other IAASB task forces, consultation groups

September 2024

- Consideration of feedback and proposals for remaining topics
- First full read of draft standard

December 2024

- Expected approval of final standard



**International Auditing
and Assurance
Standards Board®**



[@IAASB_News](https://twitter.com/IAASB_News)



[@International Auditing and
Assurance Standards Board](https://www.linkedin.com/company/@International-Auditing-and-Assurance-Standards-Board)



[@International Auditing &
Assurance Standards Board](https://www.youtube.com/channel/UC...)

www.iaasb.org

IAPN™

ISA.

ISAE.

ISQM™

ISRE™

ISRS.