

## Going Concern – Question 3

**3. Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?**

### Q03 - Agree

#### 2. Regulators and Audit Oversight Authorities

##### Botswana Accountancy Oversight Authority (BAOA)

Yes, the proposed standard is scalable to entities of different sizes and complexities and will allow the auditor to exercise professional judgment in evaluating management's going concern assessment. The proposed standard also aims to provide guidance and requirements that are appropriate and proportionate to the specific entity's situation.

##### Financial Reporting Council (FRC)

YES, we believe that ED-ISA 570 is scalable to entities of different sizes and complexities. Whilst the proposed standard recognises through the application material that smaller entities may not have extensive formal processes in place, ultimately the going concern basis of accounting is a fundamental principle in the preparation of financial statements and therefore going concern matters should be addressed in all audits.

#### 3. Jurisdictional and National Auditing Standard Setters

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

We believe the proposed standard is scalable to entities of different sizes and complexities.

##### Japanese Institute of Certified Public Accountants (JICPA)

Yes. We believe that the proposed standard is scalable to entities of different sizes and complexities.

##### Public Accountants and Auditors Board Zimbabwe (PAAB)

The PAAB believes that the proposed standard is scalable to entities of different sizes and complexities a notable inclusion is the consideration of owner managers and in larger entities those charged with governance. The fact that listed entities have additional requirements assists in enhancing public interest in larger entities and for smaller entities the lessor requirements also have an impact on the cost benefit analysis of an audit i.e., the audit does not become overly expensive in order to meet standard's requirements. To further assist in application of the standard we recommend that the Board consider providing additional non authoritative guidance to assist smaller entities specifically in the evaluation of the methods, assumptions and data used by management to perform its assessment.

The PAAB believes that the proposed standard is scalable to entities of different sizes and complexities.

#### 4. Accounting Firms

##### CohnReznick LLP (CHR)

We believe the proposed standard is appropriately scalable.

### **Crowe Global (CROWE)**

We regard the standard as scalable but emphasise the importance of the implementation guidance for supporting the application of the new standard by auditors of unlisted entities.

The proposed standard is scalable. It is appropriate to include specific requirements for the audit of listed entities as these recognise the greater public interest of these engagements. It is implementation that IAASB briefings and the implementation guidance support the scalable application of the standard for the audit of unlisted entities.

### **Ernst & Young Global Limited (EY)**

Yes, we believe the proposed standard is scalable.

### **Mo Chartered Accountants (MCA)**

The intent of the ED toward scalability provisions are appropriate, applicable and understandable. The extent of application and following of the letter and spirit of the standard will be on the respective auditors. IT should not mean or be taken to imply that the requirements of going concern status is any less stringent, robust or rigorous.

### **PKF International Limited (PKF)**

From an overall perspective, we believe the IAASB's interest is clear and that ED-570 is sufficiently scalable.

## **5. Public Sector Organizations**

### **Office of the Auditor General New Zealand (OAGNZ)**

Yes.

### **Office of the Auditor General of Canada (OAGC)**

Yes, we believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities.

## **6. Member Bodies and Other Professional Organizations**

### **Botswana Institute of Chartered Accountants (BICA)**

We believe the proposed standard recognizes the need for scalability in addressing going concern matters in audits through the provided examples and considerations made towards the nature and circumstances of entities. The standard further ensures that the auditor's procedures are tailored to the specific characteristics and complexity of each entity, while still maintaining the overall principles and requirements applicable to all entities.

### **California Society of CPA (CALCPA)**

Yes; we believe that ED-ISA 570 is scalable to entities of different sizes and complexities.

### **Chartered Accountants Ireland (CAI)**

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

We have no comments on the proposed requirements.

**Colombia's National Institute of Public Accountants (INCP)**

We agree. The standard proposal is fully scalable to entities of different sizes and complexities. It harmonizes with the other audit standards the associated requirements in each phase of the audit. It also details, in each section, the audit procedures applicable to each situation identified, providing further examples and tools so that the auditor can make better informed judgments and, more importantly, with professional skepticism.

**Federation of Accounting Professions of Thailand (FAPT)**

Yes.

**Institute of Certified Public Accountants of Uganda (ICPAU)**

We believe that the proposed standard is scalable to entities of different sizes and complexities because the proposed standard allows for the nature and extent of the auditor's risk management procedures during going concern assessment to vary based on the nature and circumstances of the entity. We are especially appreciative of the fact that auditors will need to consider factors such as the entity and its environment, the applicable financial reporting framework and the entity's system of internal control. We strongly believe such considerations in going concern assessments enhance the scalability of the standard.

**Institute of Chartered Accountants of Scotland (ICAS)**

We believe that the proposed standard is scalable to entities of different sizes and complexities.

**Institute of Chartered Accountants of Sri Lanka (ICASL)**

We agree with the proposed standard is scalable to entities of different sizes and complexities. The proposed standard also recognizes that going concern matters are relevant to all entities, regardless of their size or complexity. This is because all entities are subject to risks that could impact their ability to continue as a going concern, such as economic downturns, changes in regulations, or technological disruptions. Therefore, the proposed standard requires auditors to consider the going concern implications of all matters identified during the audit.

**Instituto de Auditoria Independente do Brasil (IBRACON)**

Overall, we believe the proposed standard is scalable to entities of different sizes and complexities. We consider that communication to management of less complex entities that the assessment period will be extended if the assessment covers less than twelve months from the date of approval of the financial statements will be essential.

We also support the IAASB's communication with the IASB to align terminology and consistency of requirements, which is positive to the public interest.

**Instituto Mexicano de Contadores Publicos (IMCP)**

Yes, we believe that the proposed standard is scalable to entities of different sizes and complexities.

**Malaysian Institute of Certified Public Accountants (MICPA)**

We do not have any objection to this as going concern matters are relevant to all entities. The additional examples provided in the application material are helpful.

**National Board of Accountants and Auditors of Tanzania (NBAA)**

Yes, we do believe that the proposed standard is scalable to entities of different sizes and complexities.

## **Saudi Organization for Chartered and Professional Accountants (SOCPA)**

The proposals in ED-570 introduce the requirements in a way that we believe is appropriate for different scales of entities. For example, the use of terminologies such as “owner-manager”, “scalability,” and “smaller and less complex entities” within the proposals (e.g. A14, A38, & A54) shows clearly the message that auditors’ responsibility regarding going concern matters is relevant to all entities. We also believe the drafting of ED-570 shows some variations in the requirements considering the nature of certain entities (e.g., “other than listed entities”) which we found an important enhancement.

### **Q03 - Agree with comments**

## **2. Regulators and Audit Oversight Authorities**

### **Independent Regulatory Board for Auditors (IRBA)**

Yes, ED-570 is scalable to entities of different sizes and complexity, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities. However, consideration should be given, for example in paragraphs 12, 17 and 29 of ED-570, to strengthening the scalability requirements and further application material for entities where there are no risks identified relating to the going concern basis of accounting of the entity, including the inclusion of the need for the auditor to exercise professional scepticism.

## **3. Jurisdictional and National Auditing Standard Setters**

### **Australian Auditing and Assurance Standards Board (AUASB)**

Whilst the AUASB is supportive of requiring auditors to perform risk assessment procedures in accordance with ISA 315 for all audits, we have concerns that ED-570 will increase the work effort for all audits regardless of the assessed risk of material misstatement in relation to going concern. We recommend the IAASB amend paragraphs 17 – 19 in ED-570 to address the extent of work effort required by the auditor where the entity is clearly a going concern, and management do not consider it necessary to prepare a detailed going concern assessment. Refer to our response to question 8 for further details.

### **New Zealand Auditing and Assurance Standards Board (NZAuASB)**

Yes, we believe the proposals are scalable. As noted in our response to question 8, we consider that more guidance could be provided to clarify if and how the work effort is proportionate to address entities that are in different going concern risk scenarios, i.e., clarify the extent of the work effort where the audit client is clearly a going concern.

### **Royal Dutch Institute of Chartered Accountants (NBA)**

We are of the opinion that the standard is scalable to entities of different sizes and complexities. We do note though that the standard should provide better guidance on situations where the entity’s ability to continue as a going concern is almost self-evident, and how auditors could in such circumstances fulfill the requirements of the standard in an appropriate and straightforward manner.

## **4. Accounting Firms**

### **Assirevi**

We agree that going concern matters are relevant to all entities, regardless of their size and complexity, especially given the increasingly complex and uncertain macroeconomic climate in which all entities operate.

That being said, we feel that the proposed standard provides guidance and examples that respond suitably to the necessary scalability objectives, commensurate with an entity's specific nature and circumstances. It also includes clear references to the use of professional judgement to determine the nature and extent of the audit procedures to be performed to address going concern matters.

However, the going concern audit procedures described in paragraph 19, and especially those designed to evaluate the method, assumptions and data used by management to assess the entity's ability to continue as a going concern, could be difficult to apply to smaller entities where evidence of management assessments is usually less structured. Therefore, it would be advisable to include further examples to clarify what kind of evidence would be appropriate to obtain to support evaluations of the method, assumptions and data used by management in such circumstances.

We agree that the need for transparency on going concern matters (in the financial statements and the audit report) is greater for listed companies, given their larger stakeholder base and public interest in general. We also agree that more stringent requirements about the content of the specific going concern paragraphs in the audit report should be introduced for listed entities and that an auditor should be able to include additional information in their report when deemed appropriate for other entities as well (paragraph A71).

#### **BDO International (BDO)**

Overall, we believe ED-570 is scalable to entities of different sizes, circumstances, and complexities. One of the challenges is management of less complex entities often need to be reminded of their responsibility to provide an assessment of the entity's ability to continue as a going concern. Timely communication to management of less complex entities that the assessment period will be extended if the assessment covers less than twelve months from the date of approval of the financial statements will be essential.

We further support the IAASB's continued two-way communication with the International Accounting Standards Board (IASB) in ensuring overall consistency of requirements. Continuation of this dialogue to enable ongoing alignment of terminology and consistency of requirements is essential and beneficial to the public interest.

#### **Deloitte Touche Tohmatsu Limited (DTTL)**

We agree that going concern matters are relevant to all entities; however, we are concerned that some of the required procedures, specifically the evaluation of the methods, assumptions, and data used by management to perform its assessment, may not be scalable to entities of different sizes, and may not be relevant to all management assessments. See our responses to Questions 8 and 9 for our concerns and recommendations related to scalability. It would be helpful to provide some examples (as non-authoritative guidance supporting the proposed standard) of how this would look in practice for smaller entities.

#### **KPMG International Limited (KPMG)**

We are supportive of the IAASB's approach to consider scalability throughout the ED, in terms of the clear identification and delineation of certain requirements, e.g. at paragraph 33(b), that are applicable only for listed entities and are commensurate with user expectations in respect of such entities, as well as the scalability guidance and more detailed examples included throughout the application material, to provide greater clarity and compare/contrast in respect of application of certain requirements to the circumstances of more complex versus less complex entities. We believe this will be helpful to users of the standard.

However, we have significant concerns about the scalability of certain aspects of the standard, both for more complex and less complex entities, as follows:

## Going Concern and Special Purpose Frameworks

Paragraph 12, which focuses on risk assessment procedures to obtain an understanding of the entity and its environment, and its system of internal control, may be difficult to apply to less complex entities. Although the related application material acknowledges differences in aspects of an entity and its environment, and internal control system for smaller entities, e.g. that borrowing arrangements may be less complex, or that governance structures may not include independent or outside members, it does not clearly address the fact that policies and procedures may be less formal and the auditor's procedures may therefore be more inquiry-based, directed at key individual(s) with in-depth knowledge of the entity. We recommend that the standard acknowledge this more explicitly, as in paragraph A12 of the extant standard, and focus on highlighting relevant considerations such as robust inquiries and discussions, appropriately challenging management, and exercising professional skepticism in doing so.

Similarly, paragraph 19, which focuses on evaluating the method, assumptions and data used in management's assessment may also be difficult to apply in respect of less complex entities with less robust/detailed analyses. The related application material touches on this but conflates simpler business activities with the fact that a simple analysis may be sufficient when the business is profitable and there are no liquidity concerns. We recommend that the standard provide clearer guidance as to when and how it may be possible to obtain sufficient appropriate audit evidence in the absence of a detailed analysis by management (including in scenarios where a budget/forecast may not have been prepared for the entire period of management's assessment); the factors that the auditor would need to consider, and how the auditor would apply the more detailed and granular requirements set out at paragraph 19, which seem to require an increase in the nature and extent of work to be performed in this area, at least when no events or conditions that may cast doubt on an entity's ability to continue as a going concern have been identified. In connection with this, we also have concerns regarding the scalability of the requirements at paragraph 19 in the circumstances when the business is profitable and there are no liquidity concerns, in terms of the fact that the standard appears to require auditors to design and perform, and document, audit procedures that in certain circumstances may not be necessary to respond to the assessed risk of material misstatement. (Please refer to our responses to Questions 8 and 9 for more detail).

The standback at paragraph 29 is helpful, however, we recommend that this be enhanced, in particular in respect of more complex/listed entities, to drive the auditor to consider the business more holistically, including standing back to consider whether transactions and business practices are aligned with the auditor's understanding of the entity and whether the auditor has sufficient understanding regarding the substance of transactions, the counterparties, and key metrics, e.g. profit margins; a clearer link to considerations in respect of parties to transactions, whether they are related parties or may otherwise influence the transaction; consideration of unusual arrangements and offshoring arrangements, and an explicit reference to professional skepticism and how this may be exercised in respect of these matters. This should draw together other aspects of the audit including in respect of considerations of fraud and management bias, as well as considerations made holistically across all components of a group.

We also question whether going concern matters are relevant to all financial reporting frameworks. Please see our response to Question 16 in respect of going concern and special purpose frameworks for further details.

## Mazars (MZ)

Although we appreciate the scalability proposals included in the application material of ED-570, we believe that they may be strengthened further. As explained in paragraph 4 of this letter, in evaluating management's

assessment of going concern, we encourage the IAASB to incorporate, in the requirements, the role of the auditor's risk assessment procedures when exercising judgment about the nature and extent of the auditor's procedures in evaluating such assessment.

For example, given the particular circumstances, there may be no risks, events or conditions that adversely affect the entity's ability to continue as a going concern. Accordingly, there may be many instances, where the auditor may conclude on an entity's ability to continue as a going concern without detailed analysis (as also inferred by the proposed application material). Providing greater clarity on the nature and extent of the auditor's work in these circumstances, where management's assessment is, consequently, relatively light touch, would be helpful. Furthermore, guidance on the factors auditors may consider in concluding that an entity's going concern status is clearly obvious would be helpful.

To illustrate, in our view, the auditor's assessment of the risk associated with management making an informal assessment of going concern without detailed analysis, may vary based on a scale that ranges between:

Acceptably low (i.e., in the auditor's judgment, events or conditions that may cast significant doubt about the entity's ability to continue as a going concern do not exist); and

Significant, to the extent that, in the auditor's judgment, events or conditions exist that do not support the use of the going concern basis of accounting, and therefore management's lack of a formal or detailed analysis may constitute a scope limitation.

#### **MNP LLP (MNP)**

We recognize that the proposed standard has application material that provides more examples as to how the nature and extent of the procedures performed can be "less extensive", "straight forward", or "much simpler" for less-complex-entities. Nonetheless, procedures are required.

We also recognize that going concern matters are relevant to all entities. However, for certain entities (e.g., not-for-profit organizations, municipalities, or indigenous communities) where the audit has been mandated by regulations, not capital market participation, performing procedures around management's assessment of going concern when no events or conditions has been identified does not add value to the users of the financial statements, however it does add cost.

We believe Extant ISA 570 is more scalable in the context that an evaluation of management's assessment of going concern is required only when events and conditions that may cast significant doubt on the entity's ability to continue as going concern have been identified.

#### **PriceWaterhouseCoopers (PwC)**

The majority of requirements within the proposed exposure draft are inherently scalable.

With respect to the requirement to evaluate the method, data, and assumptions used by management in their assessment of going concern, we believe the following revisions are necessary to result in an appropriately scalable requirement:

Clarifying the impact of the guidance in paragraph A30 (that a "lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances") on the expected audit procedures required by paragraph 19 with respect to evaluating the method, assumptions and data used by management in their assessment.



Explicitly highlighting that when no (or limited) events or conditions have been identified (for example, for large multinational corporations with significant liquidity reserves) the extent of the auditor's procedures to evaluate the method, assumptions and data may be more limited; and

Consistent with ISA 540 (Revised), we believe the scope of requirement 19(b) should be restricted to significant assumptions. It appears unduly onerous for the auditor to have to consider and document every assumption used, including those that are not significant.

## **5. Public Sector Organizations**

### **UK National Audit Office (UKNAO)**

For the UK public sector, a key consideration of the users of the financial statements is that the auditor's work on going concern is proportionate to the risk inherent in the financial reporting framework. As noted above, this risk is limited for most entities within the UK public sector where the financial statements are prepared on a going concern basis provided that the services provided by the entity will continue into the future. Given that there is significant public interest in this, we have included much of the consideration of scalability in our response to question 1. We believe that additional application guidance is needed for when this is the case and have expanded on this further in our response to question 9 below.

The application guidance provided within ED-570 provides helpful guidance on scalability, which we welcome. We are particularly supportive of the continued inclusion of the example on The Applicable Financial Reporting framework within paragraph A13. However, it would be helpful if this example and many of these others given had greater prominence rather than being included as bullet points within an examples box.

Paragraph 19 of ED-570 requires the auditor to perform some specific procedures in relation to management's assessment of going concern. We consider that some of the required procedures detailed here may not be applicable or indeed achievable where management's assessment of going concern is simple due to the limited risk to the entity. This is particularly relevant in the context of the continued provision of service approach to going concern applied extensively in the UK public sector.

## **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; is scalable to entities of different sizes and complexities but examples illustrating scalability may suggest that going concern risk is lower in smaller and/or less complex entities (see our response to Question 3),

We believe that the proposed standard is scalable to entities of different sizes and complexities, but are concerned that examples illustrating scalability may lead the auditor and other stakeholders to believe that going concern is less of a risk in smaller and/or less complex entities (which research suggests is not the case). We encourage the IAASB to focus scalability examples on the application of the enhanced requirements in the unique circumstances characterising smaller and/or less complex entities and avoid references to a less extensive work effort.

We note that a number of the paragraphs in the proposed standard relating to scalability (i.e., paragraphs A13 and A31) speak to the expected auditor work effort in smaller and/or less complex entities compared to larger and/or more complex entities. We are concerned that this may be interpreted as going concern being less of an issue (i.e., requiring less attention) in smaller and/or less complex entities. Such as assumption is contrary to research which suggests that firm size is inversely related to perceived risk of bankruptcy and likelihood of a material uncertainty being reported on by the auditor (e.g., Reynolds and Francis 2000; DeFond et al. 2002;



Carson et al. 2013; Dal Maso et al. 2020; Hossain et al. 2020; Dhaliwal et al. 2020; Amin et al 2021; Li and Xin 2023). Similarly, there is mixed evidence on the effects of complexity on the likelihood of the auditor reporting on a material uncertainty. Dal Maso et al. (2020) and Dhaliwal et al. (2020) both find that more complex entities are less likely to have a material uncertainty reported on by the auditor, but Amin et al. (2021) find the opposite.

In addition, we note research highlighting that auditors may be excessively conservative when assessing going concern in smaller entities, in that they are more likely to report on a material uncertainty, but that the client remains viable into the future (i.e., Type I going concern misclassification) (e.g., Berglund et al. 2018; Hossain et al. 2020; Amin et al 2021; Wang 2022). Research similarly finds a greater preponderance of material uncertainty reporting in smaller charities (Yang et al. 2022), non-profit organisations (Vermeer et al. 2013), and development stage companies (Foster and Shastri 2016). We believe, therefore, that there is an opportunity for auditors to more accurately assess their smaller and less complex clients' going concern and feel that the enhanced requirements will help in this regard.

We do feel, however, that the scalability examples should limit the potential impression that the risk of going concern is less of an issue, and that the auditor's necessary work effort is less extensive, in audits of smaller and/or less complex clients. We recommend that the IAASB focus more on the application of the enhanced requirements in the often unique circumstances characterising smaller and/or less complex clients.

#### **ASEAN Federation of Accountants (AFA)**

We believe that most of the proposals in ED ISA 570 are scalable to entities of different sizes and complexities. As recognised by the standard, the going concern basis is a fundamental principle in the preparation of financial statements and therefore going concern matters should be addressed in all audits. However, we would like to encourage the Board to consider the cost benefit of requiring smaller practices to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern [Q3].

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

We partially agree, since we believe that the scalability of the standard could be further implemented. ED-570 proposes an application guidance with examples aimed at illustrating the nature and extent of the audit procedures to evaluate the going concern assessment in both complex and less complex entities, leaving to the auditor's opinion the evaluation of the more appropriate method depending on the circumstances and different complexity. This approach could be enhanced including in ED-570 specific provisions for less complex entities.

#### **CPA Australia (CPAA)**

We are of the view that further guidance and clarity on work efforts depending on management's assessment of going concern would be helpful. There is a lack of clarity around how the work efforts for the proposed additional requirements in the ED-570 could be scaled for smaller entities, or for entities that are in different going concern risk scenarios. As an extension to that, some clarity may be needed around the application of the proposed ED-570 on the work effort requirements for evaluating events or conditions that may cast significant doubt, compared to situations where material uncertainty exists. Scalability should not only consider whether the same requirements can be applied to entities of differing sizes, but there also needs to be an assessment of whether additional requirements will add value if applied in certain situations.

We consider the example scenarios and related work efforts as illustrated in the IFRS Foundation educational material on Going Concern – a focus on disclosure to be very useful. We recommend the IAASB include similar example scenarios for going concern from an auditor's perspective, to clearly illustrate the step-up or step-down of work efforts that are proportionate to the size and going concern risks relevant to the entity.

#### **European Federation of Accountants and Auditors for SMEs (EFEAA)**

Yes, to a large extent.

We welcome the fact that this question is being asked (it ought to be a standard question for all projects) and the significant effort made to consider scalability. The application material and the examples given to illustrate differences will be useful for SMPs. However, we are concerned that regulators may interpret such application material as requirements in so doing leaving SMPs exposed to being challenged where none is warranted. Accordingly, it is vital to stress that examples are purely illustrative and are not exhaustive and other conditions may also be relevant for different treatment in SMEs.

While we greatly appreciate the attempts to make the standard scalable, there may still be issues as to relevance. Audit procedures in relation to going concern often rely on the quality of information that management can provide, and for the smallest entities that do not have formal forward reporting or cash flow projections, the availability of the information management can produce will be a barrier.

We note that for smaller entities, the date of the audit may be significantly later than for larger entities in some jurisdictions, which could create practical challenges in view of the proposed new requirement to commence the twelve-month period from date of approval of financial statements.

We suggest that consideration of scalability should not only consider whether the same requirements can be applied to entities of differing sizes but include an assessment as to whether additional requirements will add value if applied in certain situations. The present proposals may result in significant extra audit work for SME accountants and SMPs who will need to request additional information from their SME clients, but the available information may add very limited if any value to some audits. A risk-based assessment would be more appropriate to adopt as a principle in the revisions. For very small entities, requiring the annual production of the information that the proposals outline risks encouraging a checklist approach. This will add little if any value to the audit but could potentially give the impression the auditor had made broader detailed considerations using such information, which will rarely actually be the case. If an entity is highly unlikely to have going concern issues based upon a review of different factors, such as the level of reserves and intention to utilize, such review and scrutiny of additional information is unnecessary to support the auditor's conclusion. In any case, it is vital to stress that the quality of audits performed by SMPs is of comparable quality and rigor as that of larger audit firms.

#### **IFAC SMP Advisory Group (SMPAG)**

The SMPAG welcomes the attempts that have been made to consider scalability within the application material in the standard and the examples given to illustrate differences for entities will be useful for SMPs. However, more generally in relation to application material, it should be noted that it is possible for regulators to over-interpret this in pronounced standards, which at times can leave SMPs open to challenge where none is warranted. As such, where there may be differences in treatment based on scalability and examples are given, it is imperative to ensure clarity that such examples are illustrative and not exhaustive and other conditions may also be relevant for different treatment in SMEs.

While we recognize attempts have been made to make the standard scalable, there may still be issues in relevance. Audit procedures in relation to going concern often rely on the quality of information that

management can provide, and for the smallest entities that do not have very formal forward reporting or cash flow projections, the availability of the information management can produce will be a barrier. For smaller entities, the date of the audit may be significantly later than for larger entities in some jurisdictions, which could create practical challenges in view of the proposed new requirement to commence the twelve-month period from date of approval of financial statements. Twelve months after the date of the approval would in many cases be well into the year following the subsequent period. There is a potential issue that if a going concern assessment is made on a set of statements where the relevant period of assessment is far beyond the following year-end that stronger assurance is being provided for the foreseeable future than can be the case from the work completed. In this way, there is potential for the expectation gap to be increased rather than reduced through this proposal.

Scalability should not only consider whether the same requirements can be applied to entities of differing sizes, but there also needs to be an assessment of whether additional requirements will add value if applied in certain situations. The current proposals will result in significant extra audit work for SMPs who will need to request additional information from their SME clients, but the available information may add very limited value for some audits. A risk-based assessment would be more appropriate to adopt as a principle in the revisions. For very small entities, enforcing annual production of the information the proposals outline is likely to result in a “checklist like” roll-forward approach. This would add minimal value to the audit but could potentially give an impression the auditor had made broader detailed considerations using such information, which will rarely be the case. If an entity is highly unlikely to have going concern issues based upon a review of different factors, such as the level of reserves and intention to utilize, such review and scrutiny of additional information is unnecessary to support the auditor’s conclusion.

#### **Institute of Chartered Accountants in England and Wales (ICAEW)**

It would be helpful for the IAASB to provide further application material to explicitly highlight that when no (or limited) events or conditions that may cause significant doubt over the entity’s ability to continue as a going concern have been identified (for example, for large multinational corporations with significant liquidity reserves), the extent of the auditor’s procedures to evaluate the method, assumptions and data used in management’s going concern assessment may be more limited.

Further application material would also be useful to clarify the proposed requirements in paragraph 19(b). Consistent with ISA 540 (Revised), the scope of the proposed requirements should, in our view, be restricted to significant assumptions. It appears unduly onerous for the auditor to have to consider and document every assumption used, including those that are not significant.

Additionally, further consideration is required in relation to public sector entities. Going concern is relevant to the public sector but the concept is different to the concept applied in the private sector. Going concern is not relevant at a whole of government level as a country’s government will generally continue to operate in some form regardless of the country’s public finances. At the entity level, many public bodies have statutory underpinning that makes technical insolvency almost impossible. Going concern issues in the public sector are more likely to relate to policy decisions affecting public services or their funding, although the nature of the services provided may effectively create political underpinning of public sector entities that provide essential services.

Further application guidance is needed in the proposed revised ISA to ensure that risk assessment procedures and the evaluation of management’s assessment are proportionate and tailored to the public sector. Application guidance would be particularly helpful on the evaluation of financial support from third parties. Most public bodies rely on central government support. Guidance should acknowledge that while a

government may be unable to provide assurance that funding will continue - as this could pre-empt annual budget setting or the outcome of elections - this is not in itself evidence of material uncertainties over going concern. Most financial reporting frameworks in the public sector do not require management to assess future political decisions and it is clearly not useful for auditors to attempt to do so.

The IAASB may look to the Public Audit Forum's Practice Note 10 (PN10), Statement of recommended practice, as a source of guidance for the application of ISA 570 in the public sector. PN10 facilitates a "continued provision of service approach", proportionate to low risk situations in which a material uncertainty exists, but where the services provided by the entity are likely to continue to be delivered, and the financial reporting framework permits the entity to prepare its accounts on the basis of the presumption that this is sufficient evidence that the entity is a going concern.

#### **Institute of Singapore Chartered Accountants (ISCA)**

We believe that the proposed standard is scalable. The examples of the type of procedures that can be tailored to suit entities of different nature and circumstances are useful.

However, the applicability of the requirements under Question 8 to encompass all circumstances (and by extension, all entities) compromises scalability as it adopts a standardised approach for all instead of a risk-based approach. To enhance scalability in this regard, an approach may be to confine the requirements to financial statements of entities where going concern is more pertinent to users, such as public interest entities or entities with external borrowings etc.

Scalability can be further enhanced in the area of communication with TCWG as elaborated under our response to Question 11.

#### **Korean Institute of Certified Public Accountants (KICPA)**

We believe that the proposed exposure draft is scalable to entities of different sizes and complexities. However, the scalability of some specific requirements needs to be improved further (See the answer for Q9).

#### **Malaysian Institute of Accountants (MIA)**

Yes. The application material on scalability is helpful. Given the audit procedures are tailored accordingly to the risk relating to going concern in the risk assessment performed by the auditors, the audit procedures will be more relevant to respective entities. Other than that, depending on the size of the entity, nature of the risk and audit procedures carried out, there are different disclosures required in the audit report.

Whilst we support in principle the proposed enhanced work effort requirements, including the need to evaluate the method, assumptions and data used in management's assessment of going concern, we believe some revisions are necessary to result in appropriately scalable requirements. ED570 does not draw specific distinction in the expected core risk assessment requirements and evaluation of management's assessment requirements between audit engagements for which there are no events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and those engagements in which such events or conditions exists, where a more robust work effort will be needed. Further guidance may be useful, although we acknowledge that examples have been provided in supporting guidance to demonstrate how the nature and extent of the auditor's procedures may vary based on the nature and circumstances of the entity and depending on the method, assumptions and data used by management to assess the entity's ability to continue as a going concern.

### **Nordic Federation of Public Accountants (NRF)**

We welcome the proposals that have been made to consider scalability within the application material and in the examples. Our concerns, however, are more related to the proportionality of some of the general requirements. In our view the revised standard should be based on a more consistent application of a risk-based approach, where the use of conditional requirements should be prioritized. As drafted, it is likely that the revisions will cause additional work with limited corresponding value in most audits where there are no or limited going concern issues and especially in SME audits. Since these audits are not the focus area of the project, we believe more can be done in terms of applying a principle-based approach that would allow for less rigorous requirements in low-risk situations.

### **Pan-African Federation of Accountants (PAFA)**

Yes, we believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities. Consideration should, however, be given, for example in paragraphs 12, 17 and 29 of ED-570, to strengthening the scalability requirements and application material further for entities where there are no risks identified relating to the going concern basis of accounting of the entity, including the need for the auditor to exercise professional scepticism.

### **South African Institute of Chartered Accountants (SAICA)**

Yes, we believe the standard is principles based and thus scalable to entities of different sizes and complexities. The application material provides useful guidance in this regard.

We however suggest that paragraphs 2 and 4 of the standard or the related application material should clarify the impact on the auditor's considerations and reporting obligations (regarding going concern) in instances where the going concern basis of accounting or the accrual basis of accounting is not applicable, for example where the financial statements are prepared on a liquidation basis or a cash basis of accounting.

### **The Malta Institute of Accountants (TMIA)**

It is noted that 'Scalability' sections have been included in various parts of the ED. For instance, scalability examples are given in relation to the nature and extent of the auditor's risk assessment procedures depending on the nature and circumstances of the entity (A13). An extract is included below;

#### **The Entity and its Environment**

- The nature and extent of the auditor's risk assessment procedures to obtain an understanding of the measures used, internally and externally, to assess the entity's financial performance are likely to be more extensive for entities with a complex structure and business activities. Such entities may also have complex borrowing arrangements with lenders, suppliers or group entities. In contrast, for smaller or less complex entities whose business activities are simple with few lines of business and with uncomplicated borrowing arrangements the nature of the auditor's risk assessment procedures is likely to be less extensive.

#### **The Applicable Financial Reporting Framework**

- When the entity's business activities are affected to a lesser degree by uncertainties related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, the related disclosures in the entity's financial statements may be straightforward and the applicable financial reporting requirements may be simpler to apply. In such circumstances, the auditor's procedures to obtain an understanding of the basis for management's intended use of the going concern basis of accounting are likely to be less extensive.

Concerns and questions arise about scalability and the depth of work that may be required to address the new requirements. The above quoted paragraphs indicate that procedures etc “are likely to be less extensive”, which we are in agreement with. However, further clarification with concrete examples to set an indication or expectation on the sufficiency of the level of detail, may be helpful. For instance, in the case of an owner-managed business in obtaining an understanding, would inquiry and discussion with the owner-manager suffice?

### **Q03 - Disagree**

## **3. Jurisdictional and National Auditing Standard Setters**

### **American Institute of Certified Public Accountants (AICPA)**

Given the IAASB’s objective to promote consistent practice, we understand why the IAASB included requirements such as paragraphs 17 and 19 in the Exposure Draft as we understand these requirements are intended to address the risk of confirmation bias and the potential for anchoring on favorable results while excluding disconfirming information. However, we view the requirements in these paragraphs, which are to be performed in all circumstances irrespective of whether events or conditions have been identified, as not scalable to auditor’s assessment of complexity and inconsistent with the principle of a risk-based audit approach, because they do not allow for the auditor’s professional judgment in designing a response based on the assessed risk of material misstatement. Because we believe that the auditor’s risk assessment should inform the nature and extent of audit procedures to evaluate management’s assessment of the entity’s ability to continue as a going concern, we do not believe that the requirements set forth in paragraphs 17 and 19 are applicable or appropriate in all circumstances; rather, the auditor’s work should be based on the nature of management’s assessment and the auditor’s assessment of going concern uncertainty risk. Moreover, as written, we believe auditors will be confused about how to reconcile the results of their risk assessment with the required performance of paragraphs 17 and 19. Refer to our responses to Questions # 8 and # 9 for specific recommendations and changes.

At the same time, we have various concerns regarding (1) the requirements related to risk identification and assessment, and (2) scalability of certain requirements, which we believe may be at odds with principles-based standards, may undermine auditors’ professional judgment, and could hinder auditors’ ability to respond to risks, or lack thereof, associated with going concern. Also, as informed by our outreach, we generally believe the “exception-based going concern reporting model” in extant ISA 570 remains preferential over the proposed changes to the auditor’s report in paragraph 33 of the Exposure Draft.

### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

The ED-ISA 570 does not address cases where in the absence of special risk factors, risks of going concern are easy to assess or, if any, are extremely remote. Therefore, the reference of ISA 570.A3 (and IAS 1.26) with remote going concern risks if a company has a history of profitable operations and ready access to financial resources should be included in the requirements (e.g. 570.11). We also propose to include this explanation in A13 or A14 (scalability).

For the same reason, it should be clarified not only in 570.2 (introduction) but also in the requirements (e.g. 570.11) that the going concern basis of accounting applies until management either intends to liquidate the entity or to cease operations, or until management has no realistic alternative but to do so (see also IAS 1.25). This guidance should also be included in A13 or A14 (scalability).

Particularly from the perspective of SMEs, especially with an owner- manager, going concern audit procedures must be scalable. We ask for more guidance in A13 and A14.



We have concerns that some proposals are not within the remit of auditing standards, such as an explicit Going Concern disclosure by the management or the period of management's assessment. There is also a lack of scalability in ED-ISA 570 since it does not address cases where the risks related to going concern are easy to assess or, if any, are extremely remote.

#### **Canadian Auditing and Assurance Standards Board (AASB)**

In our view, several changes need to be made for the proposed standard to be scalable to less-complex entities (LCEs) and not-for-profit entities (NPOs). Ensuring that the ISA is scalable and practicable helps to decelerate or curb the trend towards downgrading of audit engagements to reviews or compilation engagements. In addition, we identified several areas where there are specific considerations needed for audits of public sector entities.

As indicated in our response to Q7, the proposed management's going concern assessment period may pose challenges for many LCEs, NPOs and public sector entities. Further, our responses to Q6, Q8, Q9 and Q10 highlight other special considerations for audits of LCEs and NPOs, and our response to Q5 sets out other special considerations unique to audits of public sector entities.

Para. 12(b) – Scalability guidance: There may be challenges for less sophisticated entities to provide the auditor with information on “industry conditions, including the competitive environment, technological developments, and other external factors affecting the entity's financing.” Some examples on how the nature and extent of the auditor's risk assessment procedures on understanding the industry conditions, competitive environment and technological developments may vary for an audit of a less complex entity would be useful.

Para. A13, A31 and A38 – Less complex vs. less extensive procedures: Para. A13, A31 and A38 make references to the auditor's procedures being less (or more) extensive under various scenarios. In our view, the auditor's procedures would be less (or more) complex rather than being less (or more) extensive. The IAASB may wish to reconsider the word “extensive” in the examples set out in para. A13, A31 and A38.

#### **Hong Kong Institute of Certified Public Accountants (HKICPA)**

On balance, we agree that the proposals in ED-570 are responsive to the public interest. However, we have an impression that many of the proposed changes apply a “one size fits all” approach, which may not be efficient and effective, especially in the context of auditing private entities.

In our responses to Q7 and Q14 below, we suggest a differential approach for listed entities and other entities in (i) the commencement date of the twelve-month period of management's assessment of going concern; and (ii) the disclosure of the auditor's work relating to going concern, recognizing that their resources, management's abilities and potential users of the financial statements and the auditor's report may differ significantly for the different types of entity.

Please refer to our responses to Q1 above.

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

We believe that the draft is not quite scalable enough for entities of different sizes because of the issues we have identified in our responses to Questions 5, 6, 8, 9 and 10. This, however, applies to all entities, not just entities of different sizes. In particular, there needs to be greater clarity as to what management's assessment entails and how that impacts the auditor's work on that assessment. The steps for both management and the auditor ought to be conditional upon one another. As noted in our response to Question 6, management's assessment (which is performed through the entity's risk assessment process to identify, assess and address

business risks relating to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern) ought to encompass:

The identification of events or conditions that, individual or collectively, may cast significant doubt on the entity's ability to continue as a going concern,

If such events or conditions have been identified, the assessment of the magnitude of the potential impact and likelihood of occurrence of those events or conditions,

If, based upon their assessment, the potential impact and likelihood of occurrence of those events or conditions, before considering related mitigating factors included in management's plans for future actions, are such that the entity may be unable to realize its assets and discharge its liabilities in the normal course of business, the planning of remedial actions to mitigate the effects of those events or conditions, and

For effects of the events or conditions set forth in c), concluding, after considering related mitigating factors included in management's plans for future actions, whether the use of the going concern basis of accounting is appropriate and whether there is a material uncertainty.

The auditor's work effort needs to be contingent upon which stages of management's assessment are required. If no events or conditions have been identified by management in a) or by the auditor, then the auditor need not perform work on b) to d). Likewise, if events or conditions have been identified by management in a) or by the auditor, but the assessment in b) or the work of the auditor thereon shows that the events or conditions are not such as those described in c), then the auditor need not perform work as set forth in c) and d).

If the requirements regarding work effort were to be designed so that they are contingent upon previous steps, then the standard would be scalable for all kinds of entities depending upon their going concern risks.

#### 4. Accounting Firms

##### Crowe LLP (CROWE LLP)

A: No. As discussed in our General Observations above, we do not believe the Proposed Standard is sufficiently scalable. We believe that the auditor's procedures should be scalable based on the auditor's understanding of management's going concern assessment and the auditor's assessment of the risk of material misstatement of the financial statements, related to going concern. Please see our specific responses to Questions 6, 8 and 9.

##### Scalability

We believe that in order to achieve these objectives, the issued standard should be scalable to different entities and varying auditor risk assessments related to the use of the going concern basis of accounting and other going concern matters. Certain elements of the proposal do not appear to be sufficiently scalable or responsive to the auditor's risk assessment. For example, the Proposal requires the auditor to perform an assessment of management's going concern assessment, irrespective of whether conditions or events have been identified related to going concern. Further, the auditor's assessment is required to include the methods, assumptions, and data used by management in their going concern assessment, regardless of whether management's assessment (based on the specific facts and circumstances of the engagement) includes the application of methods, assumptions, and data. Overall, the auditor's procedures should be scalable based on the auditor's understanding of management's going concern assessment and the auditor's assessment of the risk of material misstatement in the financial statements, related to going concern. Please see our specific responses to Questions 3, 6, 8, and 9.

### **Grant Thornton International Limited (GT)**

We are concerned that certain proposed requirements in the standard do not sufficiently take into account the requirements of the underlying financial reporting framework or the assessed risk of material misstatement and consequently include requirements that may require the auditor to perform procedures that are disproportionate to the assessed risk.

Financial reporting frameworks may not include specific requirements for management in relation to how management is required to assess an entity's ability to continue as a going concern. Therefore, based on the size and complexity of the entity, management's assessment may range from a very informal undocumented assessment, where the entity is highly profitable and has sufficient cash flow, to a formally documented complex assessment involving cash flow analyses and scenario modelling. Further, we note that ED-570, itself, acknowledges in paragraph A30 that management may not perform a detailed analysis of the entity's ability to continue as a going concern, yet paragraph 19 still includes detailed requirements regarding the auditor's evaluation of the method, assumptions and data used by management in making its assessment of the entity's ability to continue as a going concern.

We are of the view that scalability of the standard could be improved by amending paragraph 19 to be a conditional requirement as discussed further in our response to question 8 below.

We further caution the IAASB against creating requirements for auditors that indirectly create requirements for management that are not in the financial reporting framework used by management in the preparation of the financial statements.

### **RSM International Limited (RSM)**

We are supportive of ED-570 and believe that it provides an appropriate principles-based reference framework for auditors to apply in their assessment of going concern, but we do have concerns about scalability (as discussed in our response to question #3) and encourage the IAASB to further consider this aspect.

No, we do not believe the proposed standard is sufficiently scalable to entities of different sizes and complexities for the following reasons:

We believe the requirements of ED-570 do not sufficiently consider situations in which there is a low or remote risk of material uncertainty related to going concern. We believe it may be helpful to clarify the requirements and application material to address situations where no events or conditions that may cast significant doubt on the entity's ability to continue as a going concern exist.

If the auditor assesses the risk of there being events or conditions that may cast significant doubt about the entity's ability to continue as a going concern as low or remote (including obtaining an understanding of management's assessment of going concern in accordance with paragraph A18, when applicable), we believe the further audit procedures to respond to the risk do not necessarily need to include a more extensive evaluation of management's assessment of going concern as explained further in the response to question #8.

## **5. Public Sector Organizations**

### **Provincial Auditor Saskatchewan (PAS)**

No, the proposed standard is not scalable. Although going concern matters are relevant to all entities, smaller entities may not have the ability to do a robust assessment of going concern. In addition, the proposed standard does not sufficiently take into consideration the public sector environment.

## 6. Member Bodies and Other Professional Organizations

### Accountancy Europe (AE)

No, we believe that the scalability of the proposed standard could be improved. This could be done by referring to applicable financial reporting framework for the requirements on extending the assessment period and compulsory reporting in the auditor's report. Financial reporting standards are set, and revised as necessary, considering user expectations and public interest issues in relevant jurisdiction. Therefore, the auditing standards should build on, and be consistent with, these reporting standards.

### Center for Audit Quality (CAQ)

#### There Are Opportunities to Enhance Scalability

We appreciate and support the Board's objectives of illustrating scalability within ED-570. In our view, scalability could be enhanced to fully achieve the Board's objectives. We believe that the requirements as proposed are not sufficiently scalable as ED-570 includes certain required procedures that may not be necessary or applicable in all circumstances. The scalability of ED-570 could be enhanced by explicitly linking the design and performance of audit procedures to the auditor's risk assessment in the requirements of the proposed standard, allowing the auditor to use professional judgment in determining the nature and extent of audit procedures to be performed related to going concern.

### Chamber of Auditors of the Czech Republic (CA CR)

However, we believe that the current ED – ISA 570 is not scalable enough, and some of the requirements are either not practicable or are too exhaustive for engagement where going concern is not a risk.

No. We do not believe that the proposed standard is scalable enough. We believe that situations of smaller and less complex entities where the owner acts as management are not addressed sufficiently in the ED.

Further, there could be entities where there is clearly no risk of material uncertainty related to going concern or such risk is remote and in these cases the auditor should not be required to perform additional extensive audit procedures in relation to management assessment of going concern except for inquiries and other risk assessment procedures. As further detailed in our response to question 8 we believe that requirements of ED par. 17-19 are too extensive for such situations and will lead only to additional audit work and documentation without any benefit to the quality of the audit or the needs of users of financial statements.

We invite IAASB to improve the scalability and proportionality of the ED by addressing the situations where the entity has clearly no going concern issue (e.g. entity is profitable; no current or forthcoming issues in the market/industry/environment; no or little external financing, no liquidity concern, no intention of owners to close or restructure business of the entity).

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

#### Scalability

We find that in many instances the requirements make sense for listed/public interest entities, but not necessarily for small or less complex entities. For example, the requirement for the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern. Such requirement does not appear to be reasonable in cases where, based on the auditor's judgement, the entity's ability to continue as a going concern is obvious. Requiring an

auditor of a small or less complex entity to apply the requirements in proposed para 16-25, where it is clear there are no issues with management's assessment of going concern, will be a greater cost than benefit which may be detrimental to audit quality.

We do not find all proposed requirements to be scalable to entities of different sizes and complexities. Our stakeholders emphasised that many of the requirements do make sense for listed/public interest entities but not necessarily for small or less complex entities.

For example, the requirement for the auditor to design and perform audit procedures to evaluate management's assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern was viewed as a requirement where the costs may outweigh the benefits.

## 8. Individuals and Others

### Altaf Noor Ali Chartered Accountants (ANA)

No.

We rather consider emulating the International Accounting Standard Board issuing 'IFRS for SMEs'. We consider the proposed 'ISAs for SME' to be more focused, less diluted.

The sooner we realize as a profession, the better it is that the audit of small and medium sized entities differs than the other entities. An effort to list the requirement under one umbrella is likely to create a better understanding and compliance.

We see the audit process in three distinct classes. (a) Universal requirement of certain procedures; (b) Unique requirements of SME only (c) Peculiar requirements of other than SMEs only.

Going concern (continuing of an entity) is a matter applicable to all entities. However, we recommend a dedicated space for SMEs.

The requirements of an audit of a SME (including a macro entity) are not the same as listed entities. There is a need of 'ISA for SMEs'. R3

### Colin Semotiuk (CS)

The proposed standard does not appear to be scalable, specifically for public sector entities. For example, the proposed standard does not include examples of dissolved public sector entities. These entities can have one or more of the following characteristics: legislation has been fully passed and therefore no material uncertainty regarding going concern exists as the entity will be dissolved or consolidated (restructuring), entity has included adequate disclosure of the dissolution or restructuring, entity has not included adequate disclosure, entity is a going concern for one or two years but a dissolution date is known, legislation is in reading but has not passed and therefore material uncertainty regarding the public sector entity exists, etc. These are some of the complexities that public sector auditor's deal with that are not included within ED-570.

We note that some public sector frameworks are both going concern and non-going concern frameworks, a situation not clearly dealt with by ED-570. For example, Canadian Public Sector Accounting Standards PS 3430 Restructuring Standards states the transferor "may continue or cease to exist after the restructuring" (PS 3430.07h) and further explains in its Basis for Conclusions (paragraph 42-43) that "a recipient will take control of the assets, assume the liabilities, and responsibilities for programs and operations of a transferor. Therefore, the transferor's assets will continue to be realized by the recipient, though not necessarily in the same nature and extent of usage. The transferor's financial and program obligations will continue to be

satisfied by the recipient, though this may be through a different delivery mechanism. It would not be appropriate for the transferor to remeasure the individual assets and liabilities to be transferred because of an upcoming restructuring or any expected change in the usage of the assets after a restructuring.” In other words, an entity that is no longer a going concern due to restructuring (the common reason for a public sector entity to not be a going concern) still applies the public sector accounting standards. IAASB should include application material or modify the requirements to recognize this circumstance and that some requirements may therefore not be applicable.

In addition, ED-570 has an unintended consequence that an auditor may need to comment on whether an entity is a going concern. But in the public sector going concern matters are public policy decisions as well, enabled by legislation. ED-570 may require a legislative auditor to in effect comment on whether legislation may pass, which may not be within the role of a legislative auditor. Due to these complexities and the fact that legislative auditors are not permitted to comment on matters of policy or legislation, we propose the following amendment, “In the public sector, matters of going concern may involve matters of public policy. A legislative auditor may choose not to report on matters of going concern in the independent auditor’s report because of their inability to comment on matters of policy or legislation.”

We note some financial reporting frameworks do not require management to make an assessment of going concern and the auditing standards should not be imposing a financial reporting requirement which more appropriately would belong in the financial reporting standard(s).

### **Q03 - No specific comments**

#### **1. Monitoring Group**

**Basel Committee on Banking Supervision (BCBS)**

**International Association of Insurance Supervisors (IAIS)**

No comments.

**International Forum of Independent Audit Regulators (IFIAR)**

**International Organization of Securities Commissions (IOSCO)**

#### **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)**

#### **4. Accounting Firms**

**Nexia Australia Pty Ltd (NAPL)**

#### **5. Public Sector Organizations**

**Office of the Auditor General of Manitoba (OAGM)**

#### **7. Academics**

**RMIT University (RMU)**

#### **8. Individuals and Others**



**Kazuhiro Yoshii (KY)**