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23 August 2023

Mr Tom Seidenstein,  
Chair,  
International Auditing and Assurance Standards Board,  
529 Fifth Avenue, 6<sup>th</sup> Floor,  
New York,  
NY 10017,  
USA

Dear Mr Seidenstein

**Exposure Draft Proposed ISA 570 (Revised 202X) *Going Concern***

Crowe Global is delighted to present a comment letter on Exposure Draft Proposed ISA 500 (Revised 202X) *Going Concern*. Crowe Global is a leading global network of audit and advisory firms, with members in over 140 countries.

We agree with the overall approach of the Exposure Draft. The revision of ISA 570 is much needed, as there are expectation issues that require addressing. The overall approach to the revision improves the application of professional scepticism by the auditor and represents developments in expectations since the issue of the extant standard. 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. There are concerns about the meaning and application of definitions used in the standard and their interpretation in different applicable accounting frameworks. Further guidance on application and meaning can be given in the implementation guidance, and the IAASB must support national standard setters with their adoption and interpretation of the requirements. Our detailed comments are presented in the appendix to this letter.

We trust that our comments assist IAASB with the completion of the revision of this standard. We shall be pleased to discuss our comments further with you.

Kind regards

Yours sincerely

A handwritten signature in black ink, appearing to read "David Chitty".

David Chitty  
International Accounting and Audit Director

**Appendix – Response to Questions for Respondents Exposure Draft Proposed ISA 570 (Revised) *Going Concern***

	<b>Question</b>	<b>Response</b>
	<b>Overall Questions</b>	
1	Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in <b>Appendix 1</b> ?	We agree that the proposals in ED-570 are responsive to the public interest.
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?	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.
3	Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognising that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all 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.
4	Do the requirements and application material of ED-570 appropriately reinforce the auditor’s application of professional scepticism in relation to going concern?	The overall requirements and application material should support the auditor’s application of professional scepticism in relation to going concern. It is important that timely, relevant, and practical implementation guidance and briefings follow the issue of the standard to support auditors with their understanding and application of professional scepticism.
	<b>Specific Questions</b>	
5	Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase “may cast significant doubt”?	We support the definition of “material uncertainty (relating to uncertainty)”. The application material attempts to address the definition in relation to applicable accounting frameworks. ED-570 does use terms that are also used in IAS 1, but these terms are necessarily used in other applicable accounting frameworks, and this is causing concerns about understanding, application, and liability. The application material must be seen as being a start in supporting the understanding of the definition and the IAASB will need to engage with national

		standard setters as they adopt the standard to help with application with that jurisdiction's applicable accounting framework. The implementation material is a location for further commentary to elaborate upon the meaning of the terms.
6	Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern?	It is important that ED-570 builds on the approach of ISA 315 (Revised 2019) and we are comfortable with how this has been done.
7	Do you support the change in the commencement date of the twelve-month period of management's assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?	We support the change in the commencement date of the twelve-month period of management's assessment. This is consistent with the approach taken by standards in a number of jurisdictions and is in the public interest. It takes a current perspective at the date of reporting, which could be long after the period-end, which is transparent and more meaningful for users.
8	Do you support the enhanced approach in ED-570 that requires 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?	The enhanced approach is a consequence of the public interest taken in going concern. There are concerns about additional procedures being required when doubts have not been identified, but the inclusion of these procedures in all circumstances meets the expectations of stakeholders. There is a role for the implementation material to support the scalable application of this new requirement.
9	Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?	ED-570 does appropriately incorporate concepts introduced from ISA 540 (Revised).
10	Do you support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific	We support these enhanced requirements. They are consistent with the approaches taken in other recent standards such as ISA 540 (Revised).

	<p>courses of action, as well to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity’s owner-manager, to maintain or provide the necessary financial support.</p>	
11	<p>Will the enhanced requirements and application material to communicate with TCWG encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two- way communication with TCWG about matters related to going concern?</p>	<p>The enhancement of the requirements about communicating with TWCG is a welcome improvement. In practice, achieving their aim depends upon communication and explanation, both to auditors (including through briefings and implementation material) and between auditors and TWCG. To help with application, implementation guidance and IAASB briefings ought to comment upon scalability to the audit of non-listed entities where TWCG and management overlap substantially or entirely.</p>
12	<p>Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?</p>	<p>The problem with including this requirement in a standard is that it has by its very nature to be general and could confuse readers of the standard. The application material does provide context such as requirements that might exist for reporting to supervisory authorities. It is important that application material provides context, and that the IAASB in its broader commentaries explain that the requirement is addressing what are in practice specific situations relating from regulation and oversight.</p>
13	<p>This question relates to the implications for the auditor’s report <b>for audits of financial statements of all entities</b>, i.e., to communicate in a separate section in the auditor’s report, under the heading “Going Concern” or “Material Uncertainty Related to Going Concern”, explicit statements about the auditor’s conclusions on the appropriateness of management’s use of the going concern basis of accounting and on whether a material uncertainty has been identified.</p> <p>Do you support the requirements and application material that facilitate enhanced transparency about the auditor’s responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable</p>	<p>We agree with the proposed approach. It is an attempt to address the stakeholder desire for more information about going concern and is consistent with how expectations about transparency have evolved since the issue of the extant ISA 570. There are concerns about the length and complexity of audit reports for non-listed entities. This is a broader issue for addressing in the next review of ISA 700.</p>

	greater consistency and comparability across auditor's reports globally?	
14	<p>This question relates to the additional implications for the auditor's report <b>for audits of financial statements of listed entities</b>, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists).</p> <p>Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?</p>	We agree with the approach taken for reporting about going concern on the audits of listed entities. It addresses public interest expectations.
15	Is it clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with ED-570 and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.	The IAASB has explained clearly through the process of developing ED-570 the approach to reporting. We are comfortable with the proposed approaches and outcomes.
16	Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.	We have no other matters for consideration.
	<b>Request for General Comments</b>	
17	<p>The IAASB is also seeking comments on the matters set out below:</p> <p>(a) Translations—Recognising that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB</p>	We have not identified any translation issues.

	<p>welcomes comment on potential translation issues respondents note in reviewing the ED-570.</p> <p>(b) Effective Date—Given the need for national due process and translation, as applicable, and the need to coordinate effective dates with the fraud project, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.</p>	<p>We agree with the proposed approach to the effective date of the standard. This is a sufficient period for Implementation Guidance to be circulated and the purpose of the standard to be circulated.</p>
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