

Meeting: IAASB Consultative Advisory Group (CAG)

Meeting Location: Virtual Zoom Meeting

Meeting Date: March 8-9, 2022

Agenda Item C

Going Concern – Cover

Objectives of Agenda Item

1. The objectives of this Agenda Item are to obtain the IAASB CAG Representatives' views on the draft project proposal to revise ISA 570 (Revised)¹ and the conforming and consequential amendments to other relevant ISAs to enhance or clarify the auditor's responsibilities in the audit of financial statements related to going concern.

Update on Activities Since the March 2021 IAASB CAG Meeting

2. At its May 2021 mid-quarter meeting, the IAASB discussed the proposed possible way forward for the various themes identified from the information gathering and research activities, including from respondents feedback to the Discussion Paper, [Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit](#). In addition, a summary of the key public interest topics identified for going concern was presented and discussed with the Board.
3. Since May 2021, the Going Concern Working Group (WG) undertook further information gathering and outreach activities to inform the basis of development of the draft project proposal on going concern (see **Appendix A of Agenda Item C.2**).
4. The IAASB recognizes the importance of the financial reporting standards in relation to going concern and the need to liaise with the IASB² on this topic. The IAASB has continued to closely follow the IASB activities in this regard and in the IAASB's [response](#) (dated September 30, 2021) to their Request for Information, [Third Agenda Consultation](#), strongly encouraged the IASB to further consider undertaking a going concern research project to identify whether changes are needed in the financial reporting standards.
5. In February 2022, the IASB provided the IAASB with a [Technical Update](#). As part of the update, the IASB provided an overview of the stakeholder feedback received from its *Third Agenda Consultation* as it related to the IASB's future work plan. The feedback received noted that going concern was one of the most commonly suggested projects.³ However, the IASB observed that it remained devoted to projects already underway, and that it was premature to commit to which of the suggested projects would

¹ International Standard on Auditing (ISA) 570 (Revised), *Going Concern*

² International Accounting Standards Board (IASB)

³ The five most commonly suggested projects included in the IASB Technical Update (listed in alphabetical order) are: climate related risks, cryptocurrencies and related transactions, going concern, intangible assets and statement of cash flow and related matters.

be added to its work plan at this time. In addition, it was noted that the IASB should not add too many new projects to the work plan as capacity will be needed to deal with emerging issues and enable interactions with the International Sustainability Standards Board. Feedback provided by both an IAASB member, and the PIOB observer, reiterated support for a project on going concern.

6. As part of developing the draft project proposal on going concern, the Going Concern WG incorporated those elements of the [Public Interest Framework for the Development of the International Audit-Related Standards](#) (PIF) ⁴ deemed applicable and relevant to revising and developing auditing standards tailored as appropriate for the going concern project. In doing so, the Going Concern WG leveraged the overall structure of the recently approved [project proposal for the revision of ISA 240](#).⁵
7. The **Appendix** to this paper provides a history of previous discussions with the IAASB CAG and the IAASB on this topic, including links to the relevant IAASB CAG documentation.

IAASB CAG Discussion in March 2022

8. For purposes of the IAASB CAG discussion in March 2022, the Going Concern WG prepared a presentation (see **Agenda Item C.1**) highlighting the key matters from the Project Proposal on Going Concern (see **Agenda Item C.2**).
9. The questions that are being asked of Representatives are set out below.

Matters for IAASB CAG Consideration:

1. Representatives are asked for their:
 - (a) Views on the draft project proposal presented in **Agenda Item C.2** setting out the project objectives, the key issues identified and the scope of the proposed project to revise ISA 570 (Revised).
 - (b) Specific input, if any, with respect to the proposed actions to address the key issues identified (see **Section VI** of **Agenda Item C.2**).

Material Presented – IAASB CAG Papers

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| Agenda Item C.1 | Presentation |
| Agenda Item C.2 | IAASB Draft Project Proposal Going Concern (March 2022) |

Material Presented – IAASB CAG Reference Papers

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| Agenda Item C.3 | IAASB Going Concern Issues Paper (March 2022) |
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⁴ Published by the Monitoring Group in July 2020 as part of their report “*Strengthening the International Audit and Ethics Standard-Setting System.*”

⁵ ISA 240, *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

Appendix

Project Details and History

Project: Going Concern

Link to IAASB Project Page: [Going Concern Page](#)

Working Group Members

- Josephine Jackson, IAASB Member and Working Group Chair
- Edo Kienhuis, IAASB Member
- Wendy Stevens, IAASB Member
- Isabelle Tracq-Sengeissen, IAASB Member
- Rene Herman, IAASB Technical Advisor
- Susan Jones, IAASB Technical Advisor

Summary

| | IAASB CAG Meeting | IAASB Meeting |
|---|-------------------|---------------|
| Update on information-gathering activities and discussion on proposed Discussion Paper, Fraud and Going Concern in an Audit of Financial Statements: Exploring the Differences Between Public Perceptions About the Role of the Auditor and the Auditor's Responsibilities in a Financial Statement Audit . | September 2020 | August 2020 |
| Update on the responses received to the Discussion Paper and activities to date with regard to going concern. <i>IAASB Meeting only:</i> Obtained Board views on the proposed possible way forward for matters identified in the Discussion Paper and for the key public interest issues identified for going concern. | March 2021 | May 2021 |

IAASB CAG Discussions: Detailed References

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| Information gathering | <u>September 2020</u> See IAASB CAG meeting material and CAG minutes (Agenda Item F) September 2020 IAASB CAG meeting material |
| | <u>March 2021</u> See IAASB CAG meeting material and CAG minutes (Agenda Item C) March 2021 IAASB CAG meeting material |