



**CONSIGLIO NAZIONALE  
DEI DOTTORI COMMERCIALISTI  
E DEGLI ESPERTI CONTABILI**

**MINISTERO DELLA GIUSTIZIA**

*Il Presidente*

EdN/INT/gp

Rome, 01 August 2023

**Tom Seidenstein  
IAASB Chair**

Filed via the website

**Subject: Proposed International Standard on Auditing 570 (Revised 202X): Going Concern**

Dear Sir,

CNDCEC have the pleasure to send their comments on the proposed International Standard on Auditing 570 (ED-570).

We consider going concern as a topic of great interest for both auditors and companies, and in general for all the stakeholders.

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

First, there is need to highlight that if the proposed change related to the period of the management's assessment of going concern is maintained in the final version of the standard, it should be coordinated with the applicable accounting frameworks (i.e., IAS/IFRS) which, still today, provide for a different period.

Moreover, we deem that the addition of a "Going Concern" specific paragraph, even when no material uncertainties exist, could be misleading for the users of financial statements since it would focus their attention on an aspect that, by its nature, is comprised in the opinion on the financial statements.

Hereunder you will find our answers to both overall and specific questions.

Yours sincerely,

Elbano de Nuccio

## Overall questions

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 Appendix 1?

In general, we believe that the proposals in ED-570 will strengthen the auditor's evaluation of management's assessment of going concern basis of accounting.

It is worth highlighting how the analysis of the risk assessment process carried out by management to identify any uncertainties on going concern may represent a more effective approach in assessing the going concern basis of accounting.

Moreover, the proposals in ED-570 relating to the period of management's assessment should be harmonized with the forecasts of the applicable accounting frameworks, even because such assessment should be covered by these frameworks rather than by the audit standards.

For what concerns the scalability of the standard, when there are no risks on going concern, the proposed provisions should be narrowed, they could otherwise prove to be excessive and with a poor added value.

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?

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

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?

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.

4. Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern?

Yes, in general they do. The provisions in ED-570 reinforce the use of professional skepticism mainly within the evaluation of the management's assessments on going concern basis of accounting.

### Specific Questions

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"?

Yes, in general we support the definition of Material Uncertainty. The application material provides (para. A4-A5) a good support in relation to the magnitude of identified events or conditions and any remedial actions, however they do not define the likelihood of the occurrence of the event that may cause a material uncertainty.

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?

We suggest avoiding repeating in ED-570 (para.11 – 15) the requirements already provided for in ISA 315 (Revised 2019). A reference to ISA 315 could be sufficient, also considering the procedures at para. 12 of ED-570 which involve further documentation within the audit procedures on going concern compared to risk assessment which includes also going concern. Finally, the responsibility to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern lies mainly with management that prepares the financial statements.

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)?

First, we want to highlight that the change proposed in paragraph 21 of ED-570 would create an inconsistency with the accounting frameworks (i.e., IAS/IFRS) which provide for a period of 12 months from the date of the financial statements, in our opinion, such inconsistency needs to be resolved. For what concerns the possibility to require management to extend the assessment period, already provided for by extant ISA 570 (Revised), it would be appropriate to include in ED-570 some examples of practical cases in which the auditor may require such extension, which will involve a major commitment of both preparers and auditors.

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?

In general, we do support such approach. However, we believe that ED-570 could have specified the cases posing slight risks on going concern and, consequently, the related procedures to be adopted.

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?

Yes, ED-570 appropriately incorporates the 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 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?

In general, we do support them. However, some procedures alone, such as inquiries of management and those charged with governance, may not be sufficient to evaluate the management's plans for future action, which should obtain a formal approval (i.e., by those charged with governance).

11. 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?

Yes, the “two way” communication among auditor, management and TCWG, is important and effective.

12. 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?

Yes, in extant ISA 570 there is a reference only to regulated entities (ISA 570, par. A34). We agree with the requirement to report to other parties when provided for by law or regulation.

13. This question relates to the implications for the auditor’s report for audits of financial statements of all entities, 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.

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 greater consistency and comparability across auditor’s reports globally?

There is need to highlight that if, on one hand, the change proposed in ED-570 allows a certain consistency and comparability among the auditor’s reports, on the other hand, it can be misunderstood by the reader who could be worried finding a paragraph on going concern in the auditor’s report.

Moreover, also when going concern is not under discussion, the auditor could still be required to carry out some audit activities to comply with the provisions of the specific paragraph on going concern.

Finally, we want to point out that the opinion on going concern basis of accounting is already included in the opinion stating that the financial statements as a whole give a true and fair view.

14. This question relates to the additional implications for the auditor’s report for audits of financial statements of listed entities, 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).

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?

Even for PIEs, we confirm what stated at point 13.

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.

Yes, it is clear.

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 to raise.

### **Request for General Comments**

17. The IAASB is also seeking comments on the matters set out below:
- (a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-570
  - (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.

a) No issues.

b) We agree with the time frame indicated.