Question 3a. Should the Auditor Have Enhanced or More Requirements with Regard to Going Concern in an Audit of Financial Statements. If Yes, in What Areas

3. This paper sets out the auditor's current requirements in relation to going concern in an audit of financial statements, and some of the issues and challenges that have been raised with respect to this (see Sections III and IV). In your view:

a) **Should the auditor have enhanced or more requirements with regard to going concern in an audit of financial statements? If yes, in what areas?**

b) Is there a need for enhanced procedures only for certain entities or in specific circumstances? If yes:

i. For what types of entities or in what circumstances?

ii. What enhancements are needed?

iii. Should these changes be made within the ISAs or outside the scope of an audit (e.g., a different engagement)? Please explain your answer.

c) Do you believe more transparency is needed:

i. About the auditor's work in relation to going concern in an audit of financial statements? If yes, what additional information is needed and how should this information be communicated (e.g., in communications with those charged with governance, in the auditor's report, etc.)?

ii. About going concern, outside of the auditor's work relating to going concern? If yes, what further information should be provided, where should this information be provided, and what action is required to put this into effect?

Q3a.1 - Yes\If yes, in what areas\Q3a.1 - Yes - General comments of support for changes

<u>6. Professional Accountancy and Other Professional Organizations</u>

Federacion Argentina de Consejos Profesionales de Ciencias (FACP)

Auditing standards describe specific procedures for evaluating management's assessment of the entity's ability to continue as a going concern, and the consideration of any related disclosures.

We consider that the revision of the established requirements is convenient. The Areas are the same as those mentioned in point 2, item b)

Q3a.1 - Yes\If yes, in what areas\Q3a.1.01 - Yes - Altman Z Score Model or other corporate failure prediction models

<u>1. Monitoring Group</u>

International Organization of Securities Commissions (IOSCO)

Finally, we support investigating the benefits of potentially requiring auditors to perform additional procedures when risk assessment procedures around going concern warrant, such as use of predictive models (e.g., Altman Z Score Model). This may be another avenue where technology (and more specifically data analytics) can assist auditors in relation to auditing the going concern assertion and improve audit quality.

<u>4. Accounting Firms</u>

Nexia International (NI)

There are many failure prediction models which could be used to assess the going concern status; yet ISA 570 does not even mention that these models exist.

There are many failure prediction models which could be used to assess the going concern status; yet ISA 570 does not even mention that these models exist.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.02 - Yes - Audit documentation

<u>2. Regulators and Audit Oversight Authorities</u>

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

whether additional documentation of the auditor's work effort on going concern would improve audit quality. For example, requiring in ISA 570 documentation of :

the entity's internal controls related to going concern;

any indicators of possible management bias related to going concern and the auditor's evaluation of the implications for the audit; and

significant judgments regarding:

whether or not a material uncertainty related to going concern exists; and

the appropriateness of management's use of the going concern basis of accounting disclosures in the financial statements; and

whether to add guidance in ISA 570 on how to demonstrate whether or not a material uncertainty exists.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.03 - Yes - Articulation of auditors responsibility and objectives

<u>1. Monitoring Group</u>

International Association of Insurance Supervisors (IAIS)

Balance is necessary: In regards to going concern, we believe there will need to be a balance between what auditors can reasonably accomplish considering their expertise and the expectation that they consider possible future events negatively affecting the company. It is clear that auditors should consider all facts and circumstances existing at the balance sheet date that impact the firm's ability to meet its future cash needs, with due account taken of subsequent events when the audit report is signed. However, it may be more difficult to expect auditors to make judgments as to the viability of new products or the decline of existing products. Similar to the comment above on fraud, clear communication about what auditors are expected to achieve is necessary for both auditors and users of the financial statements.

Focus on audit quality: The IAIS suggests that a key focus of the IAASB's review should be to set out clearly the responsibility of auditors in relation to fraud and going concern and what is expected from auditors with the objective of enhancing audit quality. This should aim to help to ensure that auditors are able to deliver high quality audits.

The issue of whether there is an expectations gap in relation to fraud and going concern may be of some use but would appear to be of secondary importance given the IAASB's role. If the focus of the IAASB's review is a perceived expectation gap then this could lead to the review focusing on what auditors are not able to do rather than what they can and should. Similarly, it could also focus on communications and managing expectations rather than on auditors' appropriate responsibilities and activities, factors that are more likely to improve audit quality.

2. Regulators and Audit Oversight Authorities

Financial Reporting Council (FRC)

Strengthening the objectives of the auditor – the auditor must obtain sufficient appropriate audit evidence regarding, and conclude on, whether a material uncertainty related to going concern exists; and management's use of the going concern assumption is appropriate. This is important as the going concern assumption is a fundamental principle in the preparation of financial statements. The IAASB's ISA 570 only requires sufficient appropriate audit evidence to be obtained on the appropriateness of management's use of the going concern basis of accounting, but not in respect to other important aspects of going concern, including whether a material uncertainty exists related to going concern.

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB has received feedback that enhanced guidance for auditors on how to apply ISA 570 would be beneficial, as follows:

Clarify the obligation of auditors, and the level of assessment – current terminology in the objective of ISA 570 is to assess basis of preparation, elsewhere language references assessing management's assessment of going concern. Is the terminology in the ISA "assess ability to continue as a going concern" the same or different to "conclude on the appropriateness of management's use of the going concern basis of accounting"? As detailed in your Discussion Paper, there are different views about whether the auditor's responsibilities include reporting on the entity's going concern status. It is important that this is clarified for auditors and users.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.04 - Yes - Closer or enhanced linkage to other ISAs

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

We propose that IAASB explore how the assessment of indicators about whether there are potential threats to an entity's ability to continue as a going concern, can benefit from information gathered during the risk assessment procedures.

2. Regulators and Audit Oversight Authorities

Canadian Public Accountability Board (CPAB)

Risk assessment

There needs to be a clearer link between the requirements in ISA 315 (revised) and the auditor's evaluation of management's going concern assessment, such as understanding of the entity's business model, objectives and strategies, how the entity is structured and financed, and how the entity measures and reviews its financial performance, including its budgeting and forecasting processes. The auditor should also be required to obtain an understanding of any changes in the method or information used by management in reaching their conclusions, alternative scenarios considered, and the nature and extent of oversight and governance over management's assessment of the entity's ability to continue as a going concern.

Enhanced requirements for risk assessment procedures could result in identification of events or conditions that have not been identified by management that may cast significant doubt about an entity's ability to continue as a going concern. More robust procedures performed during the risk assessment may result in earlier identification of situations where management has not taken the appropriate steps to understand or appropriately address the basis for their assertion that the going concern assumption is appropriate. ISA 570 should require the auditor to go through a similar process as is currently required under ISA 540 (revised). Additional procedures may include requesting management to prepare a formal assessment if they have not prepared one already or requesting management to expand their cash flow forecasts to include other realistic scenarios and to perform sensitivity analyses to further support their conclusion.

To improve consistency, the requirements in ISA 570 should be applicable regardless of the financial reporting framework used in the preparation of the financial statements. Under the current standard, the auditor's evaluation of management's assessment is limited to relevant information that the auditor is aware of as a result of the audit. Increased focus on the robustness of the procedures performed as part of the risk assessment would improve auditor performance in this area.

Risk assessment

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Committee of European Auditing Oversight Bodies (CEAOB)

More generally, the question of the linkage and interactions between ISAs dealing with the main principles applicable to audit and ISAs dealing with specific elements of the audit (for example in relation to fraud or going concern) is often raised when standards are under revision. We suggest that the IAASB reflects further on the best way to facilitate the integrated application of all the ISAs.

Financial Reporting Council (FRC)

Enhancing the risk assessment procedures and related activities (see paras 10-1 to 10-5) - clearer links between the auditor's work effort in respect of going concern and the auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control in accordance with ISA 315. This should drive the auditor to obtain information that is relevant to the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and whether a material uncertainty related to going concern exists. The auditor is required to request management to make an assessment of the entity's ability to continue as a going concern where management has not yet done so. The auditor is also required to inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern and, if such events or conditions are identified, the auditor requests management to evaluate the potential significance of the event or condition on its assessment.

Independent Regulatory Board for Auditors (IRBA)

Alignment of ISA 570.16(c) requirements with ISA 540. ISA 540 (Revised), inter alia, requires testing the appropriateness of underpinning data, significant assumptions, developing a point estimate or range, etc. This also includes all concepts that will contribute to an enhanced evaluation of cash flow forecasts (which is also an estimate) through an increased management challenge.

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

More generally, the question of the links and interactions between the ISAs dealing with the main principles applicable to audit and those dealing with specific elements of the audit (for example in relation to fraud or going concern) is often raised when standards are under revision. We suggest that the IAASB reflects further on the best way to facilitate the integrated application of all the ISAs.

<u>3. National Audit Standard Setters</u>

Malaysian Institute of Accountants (MIA)

Provide clearer linkage between ISA570 to ISA 315 particularly the importance of the auditors' robust understanding of the entity and its environment and to exercise professional scepticism in evaluating the management's going concern assessment.

Include clarification that understanding the entity's financial reporting process under ISA 315 should include the management's assessment process for going concern.

Provide clearer linkage between ISA570 to ISA 315 particularly the importance of the auditors' robust understanding of the entity and its environment and to exercise professional scepticism in evaluating the management's going concern assessment.

Include clarification that understanding the entity's financial reporting process under ISA 315 should include the management's assessment process for going concern.

4. Accounting Firms

Ernst and Young (EY)

Nevertheless, we believe that there are some opportunities to enhance current ISA 570 (Revised), including to address any performance gap that may exist related to implementation of the current requirements. We have the following suggestions:

Providing enhanced clarity of the linkage between ISA 570 (Revised) and ISA 315 (Revised 2019), particularly with respect to the importance of a robust understanding of the entity and its environment to the auditor's identification of events or conditions related to going concern. We believe this understanding is also essential to the auditor's ability to exercise appropriate professional skepticism when evaluating management's assessment of going concern. In addition, it could be clarified that understanding the entity's financial reporting process under ISA 315 (Revised) includes management's assessment process for going concern.

Providing enhanced clarity of the linkage between ISA 570 (Revised) and ISA 315 (Revised 2019), particularly with respect to the importance of a robust understanding of the entity and its environment to the auditor's identification of events or conditions related to going concern. We believe this understanding is also essential to the auditor's ability to exercise appropriate professional skepticism when evaluating management's assessment of going concern. In addition, it could be clarified that understanding the entity's financial reporting process under ISA 315 (Revised) includes management's assessment process for going concern.

PKF International Limited (PKF)

In addition to the responses above, the IAASB should also consider the post implementation results of ISA 315 (Revised). The clarifications made to the requirements could assist in narrowing the expectation gap. In combination with the various other standards that have been revised, we encourage the IAASB to also allow time for the revisions and enhancements to yield its intended objectives.

Linkages to ISA 540 (Revised):

The ISAs could be improved by strengthening the linkages between ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures and ISA 570 Going Concern. Examples of where ISA 570 procedures over the auditor's work on management's assessment of going concern could be aligned with ISA 540 (Revised) include:

a more structured approach to the procedures performed over the method, significant assumptions and data used in management's assessment of going concern, and

requirements to consider potential indicators of management bias in the preparation of management's assessment of going concern.

RSM International Limited (RSM)

Better linkages between going concern and other areas of the audit would be welcome. The detection of a significant doubt about going concern should also raise the auditor's awareness of issues elsewhere in the audit, including fraud, whereby management could be motivated to misstate results.

The extant requirements on going concern require the auditor to perform procedures over management's assessment of going concern. However, we recommend consideration of the additional requirements that the UK's Financial Reporting Council has added to ISA 570 including:

A greater focus on the auditor evaluating the evidence about the entity that has been obtained through the performance of audit procedures rather than simply reviewing management's assessment of going concern

6. Professional Accountancy and Other Professional Organizations

American Institute of Certified Public Accountants (AICPA)

Also, post-implementation reviews, including those related to ISA 315 (Revised 2019), Identifying and Assessing the Risks of Material Misstatement, and ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures, are likely to be helpful to aid in identifying areas in the auditing standards that may not be implemented as intended and may need further clarification for the auditor.

Kriton (KNL)

Implementing the principle of 'spectrum of inherent going-concern risks', analogous to ISA 315 and ISA 540.

South African Institute of Chartered Accountants (SAICA)

Guidance should be provided in ISA 570 on what procedures the auditor can perform on forward-looking information and the link to ISA 540 (Revised), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, should be made as such forward-looking information requires the use of management judgements and assumptions and a lot of the concepts in ISA 540(R) would also apply in auditing forward-looking information prepared by management in performing the going concern assessment.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.05 - Yes - Definition of going concern

2. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Clarifying "going concern" and aligning it with "other concepts of resilience"

The IAASB is interested in perspectives on what more is needed to narrow the knowledge gap regarding the meaning of material uncertainty related to going concern, to enable more consistent interpretation of the concept. In addition, the IAASB is interested in perspectives about whether the concept of, and requirements related to, a material uncertainty in the auditing standards is sufficiently aligned with the requirements in the international accounting standards.

The term "going concern" is not defined in the ISAs. The audit procedures and requirements in ISA 570 are ultimately driven by the definition provided in the accounting framework.

As inferred above, there are technically two assessments that need to be performed in accordance with IFRS: (i) the appropriateness of the going concern basis of preparation assessment (factual assessment); and (ii) the identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern assessment.

Assessment (i) is the very literal/factual assessment that assesses the intent of management and creditors to liquidate. Assessment (ii) applies the broader definition in the conceptual framework, which states "that the entity will continue in operation for the foreseeable future".

This distinction is not clear in ISA 570, nor to the public.

It is the conceptual definition that is more commonly understood. In ordinary terms, going concern equates to "a business that is operating and making profit".

"Business resilience", in turn, refers to the "ability an organisation has to quickly adapt to disruptions while maintaining continuous business operations and safeguarding people, assets and overall brand equity". This goes beyond "operating and making profit". We only really know whether a company is adaptable or not when it is forced to adapt and this is either successful or unsuccessful. There is currently no framework that allows for consistent measurement or comparison of business resilience among companies. Consequently, the auditor is not able to opine on the business resilience of the company.

While we recognise the stakeholder need expressed by Sir Donald Brydon, we believe that with some enhancements to the current requirements that fall within the scope of the going concern assessment, for example, a better understanding of the business model/purpose of the company and enhanced risk assessment, as well as more transparent reporting in this regard (refer to question c) below), the existing going concern assessment is still sufficiently useful, if executed appropriately.

We disagree with the notion that more focus on unravelling the meanings of the different concepts will necessarily enhance the quality of the assessment itself. The key in our minds is to rather simplify the definition or understanding of the general concept for ease of application by the auditor and understandability from the public perspective, as the intention or objective is generally the same; that means, identifying risks to the financial stability and long-term going concern of the companies.

3. National Audit Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

The term "going concern" is not well-understood by stakeholders outside of the accounting profession.

4. Accounting Firms

KPMG

Recommendations for Enhancements to the ISAs Including Clarification of Going Concern Concepts

We set out below our observations regarding areas where there may be scope for differing implementation in practice of ISA 570 (Revised), in particular, in relation to a material uncertainty related to going concern (MUGC):

The term 'going concern' is not defined, and there is also a lack of clarity regarding terminology used in describing the threshold for which the going concern basis is no longer appropriate (An entity's financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do). Terms such as 'entity' (i.e. whether this refers to the legal entity or the underlying business), 'intends', 'liquidate', 'or 'cease operations' are not defined, and there is a lack of clarity as to how these terms apply across the spectrum of business models that currently exist, e.g. start-ups, exploration entities with a limited lifespan, research and development entities, dormant entities etc., or whether 'realistic' means having exhausted all opportunities. Such definition could also clearly explain the fact that the threshold at which an entity would no longer be considered to be a going concern is deliberately high, commensurate with the fact that this is an assumption underlying a basis of preparation of financial statements;

MNP LLP (MNP)

As noted on page 25 of the DP you are interested in perspectives on what more is needed to narrow the knowledge gap with regard to the meaning of material uncertainty related to going concern, to enable more consistent interpretation of the concept. In addition, about whether the concept of, and requirements related to, a material uncertainty in the auditing standards is sufficiently aligned with the requirements in the international accounting standards.

As noted in our response to 3(a) above, clarity is needed is needed in defining and describing a "material uncertainty". In ISA 570 (Revised), Going Concern there is no definition of material uncertainty and there is limited description of this term within this standard.

Further, the international accounting standards reference material uncertainty once in IAS 1, Presentation of Financial Statements, and once in IAS 10, Events After the Reporting Period. There is no emphasis or guidance regarding this term, and it is not sufficiently aligned with the auditing standards.

We believe that additional guidance needs to be provided in both auditing standards and accounting standards regarding what constitutes a material uncertainty to ensure clarity and consistent application by the entity and the auditors. As well, any avenue whereby additional education of and transparency to stakeholders regarding this term is worth exploring.

As noted in our response above we do not believe that there are specific procedures or enhancements necessary for certain entities or specific circumstances however we do believe that there should be clarifications made to terminology and these clarifications should be made within the ISAs.

In our view, the term going concern is not well understood outside the accounting profession as such, a more descriptive term is needed.

Further, there is a lack of clarity as to what constitutes a "material uncertainty". ISA 570 (Revised), Going Concern does not define a material uncertainty and contains a limited description of what a material certainty is. It is recommended that additional guidance be provided of what constitutes a material uncertainty to ensure clarity and consistent application by auditors. Also reiterating our response to 1(b) it is our suggestion that greater guidance be provided in the accounting standards, with an emphasis on practical illustrative examples to guide accountants and auditors alike.

6. Professional Accountancy and Other Professional Organizations

South African Institute of Chartered Accountants (SAICA)

The term 'going concern' is not defined, and there is also a lack of clarity regarding terminology used in describing the threshold for which the going concern basis is no longer appropriate (An entity's financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease or has no realistic alternative but to do). Terms such as 'intends', 'liquidate', 'trading' or 'cease operations' are not defined, and there is a lack of clarity as to how these terms apply across the spectrum of business models that currently exist. SAICA's view is that the IAASB would need to work with other standard setters, in particular, financial reporting standard setters, e.g. International Accounting Standards

Board (IASB), to ensure that concepts and requirements are clear and are aligned between ISAs and financial reporting standards.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.06 - Yes - Definition of material uncertainty

<u>1. Monitoring Group</u>

International Association of Insurance Supervisors (IAIS)

Greater clarity and information: We would encourage the IAASB to consider how the work of auditors in relation to going concern can be made clearer, more insightful and more helpful for users of the accounts. Currently, the identification of a 'material uncertainty' relating to going concern relies on a number of judgements and is not well understood. In addition, this disclosure can appear 'binary' in nature with a significant step existing between circumstances where a 'material uncertainty' is identified and where it is not. This can contribute to the risk that going concern issues that are disclosed become self-fulfilling.

<u>2. Regulators and Audit Oversight Authorities</u>

Botswana Accountancy Oversight Authority (BAOA)

Define key concepts that are currently inconsistently understood, e.g., material uncertainty, and give examples.

Canadian Public Accountability Board (CPAB)

Definitions of material uncertainty and significant doubt

Both International Accounting Standard 1 (IAS 1) and ISA 570, refer to material uncertainties related to events and conditions that may cast significant doubt about the entity's ability to continue as a going concern. More robust definitions are necessary to the concepts of material uncertainty and what constitutes significant doubt to improve consistency.

Committee of European Auditing Oversight Bodies (CEAOB)

Furthermore, we identified during our inspections some provisions of the standards that create difficulties and where improvements could be made. As such, we encourage the IAASB to examine:

whether to add guidance in ISA 570 on how to demonstrate whether or not a material uncertainty exists.

<u>3. National Audit Standard Setters</u>

Australian Auditing and Assurance Standards Board (AUASB)

How to conduct risk assessment procedures, using ISA 315 revisions as an opportunity to reorient ISA 570 to the new risk assessment approach. This could also be an opportunity to re-think the terminology 'that may cast significant doubt over going concern' as this is another concept in ISA 570 that appears to be used with alternate nuances in the Accounting Standards, is likely designed to be a risk assessment gateway, but is not well understood or applied consistently. We recommend exploring whether going concern risks be a more aligned concept. This may also have utility when referencing the assessment for a MURGC, or in the longer term in collaboration with the Accounting Standards setters, whether this style of terminology and risk scale may be a modernised replacement for the MURGC concept.

The AUASB consider that there needs to be a consistent and aligned definition and guidance in the Accounting and Auditing Standards in relation to a MURGC to assist with consistent interpretation by management, TCWG and auditors. The IAASB should also receive feedback from users as to whether the current reporting requirements are effective in communicating going concern matters. In particular whether users understand what a MURGC is, and how this conclusion is different between a MURGC and a KAM. Refer to question 3a where we recommend the IAASB consider how ISA 570 can be enhanced and aligned with ISA 315 and to re-think the terminology used including MURGC.

Canadian Auditing and Assurance Standards Board (AASB)

Management's assessment of going concern is often limited to solvency and liquidity indicators. There may be other factors such as losing key personnel or technological developments that may result in material uncertainty relating to going concern.

AASB views and recommendation

We support the clarification of material uncertainty relating to going concern in financial reporting frameworks. We recommend that the IAASB work with the IASB and other accounting standard setters to consider:

Supplementing the current binary approach of disclosing material uncertainty related to going concern, with additional going concern disclosures – The IAASB may work with the IASB and other accounting standard setters to explore the merits of additional disclosures relating to management's going concern assessment, even when there is no material uncertainty about the entity's ability to continue as a going concern. For example, management may disclose identified significant risks (or lack thereof) to the entity's ability to continue as a going concern, the entity's susceptibility to such risks, and how management reached the conclusion that material uncertainty does not exist. We also emphasize that the existing required disclosures of material uncertainty relating to going concern in many financial reporting frameworks should be retained as they continue to serve as a warning to financial statements users.

Exploring whether there is merit in replacing "going concern" with terminology that is more easily understood – Exploring other concepts such as resiliency, as discussed in the following section, may help inform the development of more understandable terminology.

Providing guidance on specific industry going concern factors beyond generic financial measures and indicators – This could be achieved through collaboration with other parties such as industry associations.

Addressing these issues within financial reporting frameworks would increase clarity in going concern assessments and disclosures, which would in turn enhance the auditor's ability to evaluate management's going concern assessments.

Material Uncertainty related to Going Concern

What our stakeholders told us

Our stakeholders supported clarifying the concept of "material uncertainty relating to going concern" for the following reasons:

There is a lack of clarity and inconsistent practice as to what constitutes "material uncertainty relating to going concern". Stakeholders indicated there are often varying interpretations as to whether a particular set of events and circumstances constitute material uncertainty relating to going concern. We note that this point is supported by an academic study suggesting that management has a higher substantial doubt threshold than auditors.

Korean Institute of Certified Public Accountants (KICPA)

(KICPA Comment) The term of “uncertainty related to going concern” in itself, is difficult to understand. Thus, instead of using the term, it would be useful for information users to be provided with specified explanations of the term.

4. Accounting Firms

Ernst and Young (EY)

With respect to the clarity of the meaning of material uncertainty related to going concern, we refer to our response to Q1(b) where we recommend that the IASB clarify the difference between the material uncertainty threshold and liquidation basis of accounting threshold as we believe that this difference is not sufficiently understood. With regard to the question whether the concept of material uncertainty is sufficiently aligned in the ISAs, we do not see any issues in alignment.

KPMG

Recommendations for Enhancements to the ISAs Including Clarification of Going Concern Concepts

We set out below our observations regarding areas where there may be scope for differing implementation in practice of ISA 570 (Revised), in particular, in relation to a material uncertainty related to going concern (MUGC):

The term ‘going concern’ is not defined, and there is also a lack of clarity regarding terminology used in describing the threshold for which the going concern basis is no longer appropriate (An entity’s financial statements are prepared on a going concern basis unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do). Terms such as ‘entity’ (i.e. whether this refers to the legal entity or the underlying business), ‘intends’, ‘liquidate’, ‘or ‘cease operations’ are not defined, and there is a lack of clarity as to how these terms apply across the spectrum of business models that currently exist, e.g. start-ups, exploration entities with a limited lifespan, research and development entities, dormant entities etc., or whether ‘realistic’ means having exhausted all opportunities. Such definition could also clearly explain the fact that the threshold at which an entity would no longer be considered to be a going concern is deliberately high, commensurate with the fact that this is an assumption underlying a basis of preparation of financial statements;

We believe there is scope for confusion around the concept of a MUGC itself, which may lead to inconsistency in practice, especially if financial reporting frameworks do not have a clear definition or do not specify what information should be disclosed;

There is also scope for confusion resulting from the fact that a MUGC arises from events or conditions that may cast significant doubt (which is not a clearly defined term in itself) on the entity’s ability to continue as a going concern, but elsewhere in the ISA (and in the auditor’s report) significant doubt is described as resulting from a MUGC. This seems to be circular and does not help clarity;

We recommend that the IAASB explore these concerns, with the aim of clearly defining the terminology used as well as providing greater clarification/ guidance regarding the measures, assumptions and judgements that are needed to address them. Such exploration could also focus on clarifying/simplifying the steps to assess/evaluate going concern, and greater emphasis on disclosure requirements in financial reporting standards, including about matters that may cast significant doubt but do not give rise to a MUGC.

MNP LLP (MNP)

As noted on page 25 of the DP you are interested in perspectives on what more is needed to narrow the knowledge gap with regard to the meaning of material uncertainty related to going concern, to enable more consistent interpretation of the concept. In addition, about whether the concept of, and requirements related to, a material uncertainty in the auditing standards is sufficiently aligned with the requirements in the international accounting standards.

As noted in our response to 3(a) above, clarity is needed is needed in defining and describing a “material uncertainty”. In ISA 570 (Revised), Going Concern there is no definition of material uncertainty and there is limited description of this term within this standard.

Further, the international accounting standards reference material uncertainty once in IAS 1, Presentation of Financial Statements, and once in IAS 10, Events After the Reporting Period. There is no emphasis or guidance regarding this term, and it is not sufficiently aligned with the auditing standards.

We believe that additional guidance needs to be provided in both auditing standards and accounting standards regarding what constitutes a material uncertainty to ensure clarity and consistent application by the entity and the auditors. As well, any avenue whereby additional education of and transparency to stakeholders regarding this term is worth exploring.

Further, there is a lack of clarity as to what constitutes a “material uncertainty”. ISA 570 (Revised), Going Concern does not define a material uncertainty and contains a limited description of what a material certainty is. It is recommended that additional guidance be provided of what constitutes a material uncertainty to ensure clarity and consistent application by auditors. Also reiterating our response to 1(b) it is our suggestion that greater guidance be provided in the accounting standards, with an emphasis on practical illustrative examples to guide accountants and auditors alike.

As noted in our response above we do not believe that there are specific procedures or enhancements necessary for certain entities or specific circumstances however we do believe that there should be clarifications made to terminology and these clarifications should be made within the ISAs.

6. Professional Accountancy and Other Professional Organizations

Chartered Accountants Australia and NZ and ACCA - Joint (CAANZ-ACCA)

Clarity regarding the meaning of material uncertainty related to going concern

From the research undertaken for our Closing the expectation gap in audit publication, it was clear that there was a knowledge gap in users, with a majority of users expecting that if an entity is audited, it should not subsequently fail. From the feedback we received, confusion regarding the concept of going concern as it is defined in auditing and accounting standards, is part of this knowledge gap. Users of financial statements often demonstrate limited understanding of what the responsibilities and requirements for preparers/TCWG are compared to those of auditors under current standards, and that there are differences between accounting and auditing standard requirements. We are also of the view that, there is also an evolution gap, in the wake of continued corporate collapses, where users are expecting more comfort in relation to business viability.

We did not hear strong concerns about a performance gap in terms of ISA 570, but there are strong concerns around the differences in the accounting standard requirements versus the auditing standard requirements. The feedback received during our outreach strongly suggest the need for clarity regarding the meaning of material uncertainty related to going concern in the accounting standards. One of the main reasons behind this, is the different views as to what constitutes events and conditions that could lead to material uncertainty regarding going concern. In addition, some stakeholders noted that currently, there are conditions that are not always taken into consideration but can very well lead to material uncertainty relating to going concern. For example, in a case of an LCE when it loses a key member of staff. Similar comments were raised during the IAASB's roundtable session on fraud and going concern for LCEs.

There was strong support from our stakeholders to look at a spectrum of going concern risks to supplement the current binary approach of determining whether disclosure material uncertainty on going concern is required in clarifying the financial reporting frameworks. Therefore, in our view what needs to improve is the nature of the assessment and the disclosures in the financial statements about that assessment and the assumptions that underly it. Such change will require revisions to the relevant accounting standards by the IASB. Once these issues are addressed, then the assurance that auditors can provide will be enhanced and could also support more informative reporting.

Kriton (KNL)

Clarifying the scope of the term 'going-concern assumption', such as with regard to the period ('horizon') and the inherent uncertainty of forward-looking information.

National and international regulators (reporting)

IAASB

South African Institute of Chartered Accountants (SAICA)

The definition of a material uncertainty – according to International Accounting Standard 1 (IAS 1), Presentation of Financial Statement, the phrase "material uncertainty" is used in discussing the uncertainties related to events or conditions which may cast significant doubt on the entity's ability to continue as a going concern that should be disclosed in the financial statements. However, this definition does not give preparers guidance in terms of when the uncertainty becomes material and judgement is applied by preparers in evaluating the materiality thereof. Paragraph 18 of ISA 570, states that a material uncertainty exists when the magnitude of its potential impact and likelihood of occurrence is such that, in the auditor's judgement, appropriate disclosure of the nature and implications of the uncertainty is necessary for:

In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or

In the case of a compliance framework, the financial statements not to be misleading.

Both the auditors and preparers are left to apply their own judgement in terms of when an uncertainty becomes material as IAS 1 does not give the required guidance and this could lead to inconsistent practices in the profession given the absence of a clear definition. Under the same set of circumstances, two auditors could get to a different conclusion as to whether a material uncertainty exists or not and this will affect the auditor's report that is issued. It is SAICA's view that enhancements to the ISAs need to be made in order to align the two definitions of material uncertainty – both from a financial reporting point of view as well as the auditing point of view. The ISAs also need to require transparency about the procedures performed to test the appropriateness of the going concern basis of accounting. Examples of more transparent reporting could include the assumptions and key judgements made by management as well as the procedures performed by the auditors to test the assumptions and key judgements. Such transparency could be enhanced in the auditor's report.

8. Academics

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

Related to auditor requirements about going concern, paragraph 16 in the extant ISA 570 is unclear, and the potential for different interpretations of ambiguous terms such as 'substantial doubt' (or by implication 'significant doubt'), has the potential to contribute to the expectation gap (e.g., Almer and Brody 2002). In this regard, we note the IAASB's interest in "perspectives on what more is needed to narrow the knowledge gap with regard to the meaning of material uncertainty related to going concern."

Without commenting on the source of any difference in the understanding of what material uncertainty refers to (i.e., it may not only be a knowledge gap), we believe that there are opportunities for the IAASB to clarify the meaning of this term and facilitate a more consistent interpretation. In applying paragraphs 16 and 18 of ISA 570, the auditor must interpret the meaning of several likelihood / probability terms. The auditor, consciously or subconsciously, must apply a probability threshold around what they consider 'doubt' to mean, how probable is 'may', and what is the degree of indeterminacy for there to be sufficient 'uncertainty' Moreover, these likelihood / probability terms are further clouded with the inclusion of modifiers, that is, significant doubt and material uncertainty. Research suggests that there are differences in the way these likelihood / probability terms are interpreted across auditors, and between auditors and other stakeholders.

Amer, Hackenbrack, and Nelson (1994) report substantial variation in the way different auditors interpret probability phrases. With specific reference to going concern uncertainty and putting aside the lack of clarity around the events or circumstances for which probability / likelihood thresholds are being established, Ponemon and Raghunandan (1994) report auditors applied an average threshold of 56 percent when determining if there is substantial doubt (i.e., substantial doubt arises when the auditor believes there is a greater than 56 percent chance of bankruptcy). By comparison, Davis and Ashton (2002) report that auditors in their study applied an average threshold of 39 percent. Moreover, and of concern for the expectation gap, Ponemon and Raghunandan (1994) find that the interpretation of substantial doubt varies across different users and between users and auditors. Interestingly, Ittonen, Tronnes, and Wong's (2017) analysis of the data reported in Carson et al. (2013) shows that the probability of an entity going bankrupt following the issuance of a going concern modification is considerably less than the thresholds indicated by auditors and users to interpret significant doubt. Furthermore, cultural and translation issues may mean that cross nation differences in the interpretation of likelihood / probability expressions are to be expected (e.g., Doupnik and Richter 2003), a consideration clearly of concern to the IAASB.

We highlight that much of the research on this issue was undertaken some time ago and the meanings attached to probability / likelihood phrases may have changed over time. In addition, the research on going concern uncertainty has focused on the term 'significant doubt' as employed in the U.S. standard rather than 'substantial doubt' as employed in the IAASB standard). We see no reason, however, to believe that differences in interpretation across participants in the financial reporting ecosystem do not persist in a contemporary environment.

While reporting on going concern uncertainty must, necessarily, involve probability thresholds, we believe that there is an opportunity for the IAASB (in collaboration with the IASB in that IAS 1 contains similar probability / likelihood phrases and the auditor's requirements must be aligned with the accounting standards) to reduce the number of likelihood / probability phrases by, in the first instance, specifying what is to be achieved in reporting on going concern uncertainty and, then, identifying an appropriate probability phrase that minimizes variation and achieves the predetermined objective. Research in psychology shows that the interpretation of likelihood / probability phrases is context dependent, influenced by factors such as perceived base rates and the severity / consequence of the event to which the probability phrase relates (e.g., Weber and Hilton 1990). Given the severity and consequence of an entity's failure, it may be necessary to employ a unique likelihood phrase, but research will be needed to inform such a decision.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.07 - Yes - Internal controls

3. National Audit Standard Setters

Korean Institute of Certified Public Accountants (KICPA)

(KICPA response) We believe more enhanced requirements on auditors with regard to going concern would not be necessary. Instead, within the context of the extant auditing standards, more requirements need to be placed around the management's control activities related to assessment of going concern, such as what kinds of controls are put in place and whether such controls are implemented. As for auditors, it would be necessary to perform practical procedures based on what is required in the extant standards.

4. Accounting Firms

RSM International Limited (RSM)

The extant requirements on going concern require the auditor to perform procedures over management's assessment of going concern. However, we recommend consideration of the additional requirements that the UK's Financial Reporting Council has added to ISA 570 including:

6. Professional Accountancy and Other Professional Organizations

Chartered Accountants Australia and NZ and ACCA - Joint (CAANZ-ACCA)

Enhance the responsibilities of management and those charged with governance to manage, and provide transparent reporting over how they have managed, business risks related to financial reporting (including fraud) and other areas which maybe be of interest to stakeholders. This could be achieved by some form of internal controls reporting, subject, where appropriate by assurance. Calls for such regimes have been made in both as per the Independent Review Report of Sir Donald Brydon (the Brydon report) and the recent Australian Parliamentary Joint Committee Inquiry into the regulation of auditing in Australia. We also recognise the cost of such reporting involved for smaller entities, so they need to be developed with appropriate consultation and consideration of which entities should be subject to such regimes.

Enhance the responsibilities of management and those charged with governance to manage, and provide transparent reporting over how they have managed, business risks related to financial reporting (including fraud) and other areas which maybe be of interest to stakeholders. This could be achieved by some form of internal controls reporting, subject, where appropriate by assurance. Calls for such regimes have been made in both as per the Independent Review Report of Sir Donald Brydon (the Brydon report) and the recent Australian Parliamentary Joint Committee Inquiry in the regulation of auditing in Australia. We also recognise the cost of such reporting involved for smaller entities, so they need to be developed with appropriate consultation and consideration of which entities should be subject to such regimes.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.08 - Yes - More rigorous challenge of management's assessment

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

We observe that the step between deteriorating financial conditions of an entity and a situation of significant doubt about the entity's ability to continue as a going concern may be significant. We suggest assessing whether the requirements and guidance sufficiently convey the message that further inquiries and more robust procedures, amongst others to assess management's representation, would be necessary if early indicators of potentially significant financial distress were present. This may be earlier than when events or conditions that cast doubts on going concern can be identified.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Design robust audit procedures for interrogating management assessment and assumptions on going concern.

Yes, there should be more requirements in terms of disclosures to be made in the Auditor's Report and audit work to be performed in evaluating management's assessment and assumptions on going concern.

Financial Reporting Council (FRC)

Obtaining sufficient appropriate audit evidence (see paras 11-1 to 15-1) - the auditor's evaluation of management's assessment should draw on a wider range of available information to support their work through enhanced risk assessment procedures, with a more robust evaluation of management's assessment, including a more rigorous challenge of the method, information and assumptions used by management in making their going concern assessment. In particular, applying the understanding obtained by the auditor through performing the enhanced risk assessment procedures and related activities.

The FRC strongly encourages auditors to challenge management where they have limited the period considered to the minimum requirement of one year where there are circumstances that indicate that a longer period would be more appropriate. In many cases, management focuses on a going concern assessment period of one year, without considering how appropriate this is. Ideally, the IASB would revisit this area to make it clearer what factors management should take into account when determining the period of assessment, but irrespective of the accounting framework, it is our belief that the auditor should also be looking at this period and assessing whether it is appropriate given the individual facts and circumstances of the entity. We require (para 13-1(a) that the auditor consider whether management's assessment includes all relevant information, including all available information about the future, of which the auditor is aware as a result of the audit. We have application material supporting this requirement, including in relation to 'relevant information'.

Independent Regulatory Board for Auditors (IRBA)

We propose that enhancements be made to ISA 570.10, Risk Assessment Procedures and Related Activities, and ISA 570.12-14, Evaluating Management's Assessment. For example:

An explicit requirement for the auditor to request two assessments from management, namely, (i) the appropriateness of the going concern basis of preparation assessment (factual assessment); and (ii) the identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern assessment.

An explicit requirement for the auditor to confirm that management's assessment, as detailed under (ii) above, includes the business model/purpose and cash flows analysis elements (for completeness).

Requirements to perform specific minimum observations and inspections of management's assessments (in addition to inquiry), in line with the requirements of ISA 315 (Revised), paragraph 14, and ISA 540 (Revised), paragraphs 16 and 17, including an assessment of the adequacy of management's assessment, given the auditor's understanding of the business and events or conditions identified by the auditor that may cast doubt on the entity's ability to continue as a going concern.

An explicit requirement for the auditor to request management to perform an assessment of the business model and cash flows, where no assessment was performed; OR to elaborate on an inadequate assessment (in all circumstances, as opposed to only when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern).

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An explicit requirement for the auditor to confirm that management's assessment, as detailed under (ii) above, includes the business model/purpose and cash flows analysis elements (for completeness).

Requirements to perform specific minimum observations and inspections of management's assessments (in addition to inquiry), in line with the requirements of ISA 315 (Revised), paragraph 14, and ISA 540 (Revised), paragraphs 16 and 17, including an assessment of the adequacy of management's assessment, given the auditor's understanding of the business and events or conditions identified by the auditor that may cast doubt on the entity's ability to continue as a going concern.

An explicit requirement for the auditor to request management to perform an assessment of the business model and cash flows, where no assessment was performed; OR to elaborate on an inadequate assessment (in all circumstances, as opposed to only when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern).

We disagree with the notion that to "discuss with management the basis for the intended use of the going concern basis of accounting" and "inquiry of management whether events or conditions exist that … may cast significant doubt" are sufficient for risk assessment purposes, in the absence of an assessment corroborating management's statements. Certain minimum procedures should be elevated to be required in all instances as part of risk assessment, as the risk cannot be understood and events and conditions cannot be identified in the absence of management making certain basic assessments and the auditor performing specific minimum observations and inspections with regard to management's assessment(s).

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

More guidance on how to evaluate management's assessment of the entity's ability to continue as a going concern. We note that the ISA (UK) 570 includes more prescription on how to perform this assessment which would be helpful for auditors as guidance.

Malaysian Institute of Accountants (MIA)

The IAASB may review on the sufficiency and effectiveness of reporting requirements and revise the going concern and fraud standards where necessary. Enhanced procedures can be introduced such as requirement to engage with forensic specialist by auditors to deal with the fraud matters. The ISA should provide a stronger framework for auditors in detection of fraud and assessment of entity's going concern assumptions.

4. Accounting Firms

KPMG

Additionally, we recommend that clarification be explored regarding the extent to which mitigating factors may be considered, including significant assumptions and judgements about the feasibility of management's plans and the importance of assessing the extent to which such plans are within management's control.

MHA Macintyre Hudson (MHA)

The UK Financial Reporting Council has already introduced enhanced auditor requirements relating to going concern, which we support. Areas which we believe the IAASB and others ought to consider include:

how better to support auditor challenge of management's going concern assessment (see our earlier comments)

Nexia International (NI)

The ISAs must emphasise the rigor required from the auditor such as "robustly" challenging management's assessment of going concern.

RSM International Limited (RSM)

More explicit requirements for evaluating management's assessment of going concern, irrespective of whether a significant doubt about going concern has been identified

6. Professional Accountancy and Other Professional Organizations

Accountancy Europe (AE)

Broadening of auditors' work effort will require that auditors keep enhancing their skills and competences. This relates especially to cash flows, liquidity, financing, (worst case) scenario analysis and (reverse) stress testing in the context of evaluating the management's going concern assessment. Moreover, for some areas of work, audit teams might need to use experts, for example, a restructuring expert in case the entity needs to undergo restructuring to survive. In such circumstances, cooperation and intensive communication with TCWG are necessary.

If such disclosures were to be required, it would be feasible to further extend the auditor's role regarding these statements. In this regard, auditing standards should proactively support the widening role of auditors on going concern. This should enhance auditors':

work effort in considering more matters and wider context in the evaluation of entities' assessment of going concern, including consideration of relevant contradictory evidence that challenges management assessment

CFO Forum

Yes, the CFO Forum does believe that there should be enhanced procedures about going concern in an audit of financial statements. Again, an auditor's overall understanding of the business operations together with relevant experience from clients in similar industries is of paramount importance. Although existing procedures may be fairly prescriptive, it is not always clear how much time is spent stepping back from the detail and understanding the overall risk, which together with detailed business insights will allow for founded challenge to be raised on management's assumptions, plans and other data. Auditors should focus less on simply obtaining evidence with a bias to support each assumption made by management; and more time should be taken to step back from the detail and consider the broader commercial picture. This should also include an assessment of whether appropriate and adequate disclosures are made within an entity's significant judgements and estimates in relation to material assumptions and uncertainties.

Institute of Chartered Accountants in England and Wales (ICAEW)

Challenging management: auditors in firms of all sizes are challenging entities on going concern issues much more robustly and consistently this reporting season and we are hopeful that better practices will emerge to inform IAASB's discussions. For example, firms report developing questionnaires for audited entities asking them to demonstrate why they think they are a going concern.

Institute of Chartered Accountants of Scotland (ICAS)

Greater work on the part of the auditor to more robustly challenge management's assessment of going concern, incorporating thorough testing of the adequacy of supporting evidence and evaluation of the risk of management bias.

Yes, we believe this to be case. In the shorter-term these could follow a similar approach to those of the UK FRC which revised its version of ISA 570 in 2019 with its enhancement requirements becoming applicable for periods commencing on or after 15 December 2019. The revisions require:

Institute of Directors in South Africa's Audit Committee Forum (IoDSA ACF)

Areas of risk and judgement are a specific focus area for both fraud and going concern and need to be adequately assessed and robustly challenged – and the enhanced disclosure of how both management and the auditors have satisfied themselves on these matters would increase both focus and transparency

International Federation of Accountants (IFAC).pdf

We note the potential solution to require auditors to explain how they evaluated management's assessment of the entity's ability to continue as a going concern and, where relevant, key observations arising with respect to that evaluation, even where the auditor concludes through their work on management's assessment that no material uncertainties exist.

Kriton (KNL)

The requirements attached to the information on which management's application of the going-concern assumption is based: when is sufficient and appropriate audit evidence available, for example, with regard to management's plans?

The requirements attached to a retrospective evaluation of, for example, the quality of information about cash flows, financial position, results, estimates and the explanatory notes thereto.

Union of Chambers of Certified Public Accountants of Turkey (TURMOB)

Yes. In assessing the assumptions and evaluation of the management regarding going concern.

8. Academics

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

we believe that there is an opportunity for the IAASB to improve practice in this area, and reduce the expectation gap, by drawing on the findings of this research to help auditors meet the extant requirement to "…evaluate management's assessment of the entity's ability to continue as a going concern" (ISA 570, para. 12) and fulfill additional requirements where events or conditions casting significant doubt on the entity's ability to continue as a going concern exist (para.16).

Q3a.1 - Yes\If yes, in what areas\Q3a.1.09 - Yes - More robust risk assessment requirements

2. Regulators and Audit Oversight Authorities

Financial Reporting Council (FRC)

Enhancing the risk assessment procedures and related activities (see paras 10-1 to 10-5) - clearer links between the auditor's work effort in respect of going concern and the auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control in accordance with ISA 315. This should drive the auditor to obtain information that is relevant to the identification of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern and whether a material uncertainty related to going concern exists. The auditor is required to request management to make an assessment of the entity's ability to continue as a going concern where management has not yet done so. The auditor is also required to inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern and, if such events or conditions are identified, the auditor requests management to evaluate the potential significance of the event or condition on its assessment.

Our revisions are intended to provide a framework for the auditor to ensure that they have obtained a more robust understanding of the process management apply when assessing going concern, ensuring that the auditor is considering all aspects of the entity and its environment, the applicable financial reporting framework and the system of internal control in order to identify events and conditions. A threat to the ability to continue as a going concern should not be assessed as low based only on clearly visible factors as there may be events and conditions that are only identified through the auditor's risk assessment process.

Independent Regulatory Board for Auditors (IRBA)

We propose that enhancements be made to ISA 570.10, Risk Assessment Procedures and Related Activities, and ISA 570.12-14, Evaluating Management's Assessment. For example:

An explicit requirement for the auditor to request two assessments from management, namely, (i) the appropriateness of the going concern basis of preparation assessment (factual assessment); and (ii) the identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern assessment.

An explicit requirement for the auditor to confirm that management's assessment, as detailed under (ii) above, includes the business model/purpose and cash flows analysis elements (for completeness).

Requirements to perform specific minimum observations and inspections of management's assessments (in addition to inquiry), in line with the requirements of ISA 315 (Revised), paragraph 14, and ISA 540 (Revised), paragraphs 16 and 17, including an assessment of the adequacy of management's assessment, given the auditor's understanding of the business and events or conditions identified by the auditor that may cast doubt on the entity's ability to continue as a going concern.

An explicit requirement for the auditor to request management to perform an assessment of the business model and cash flows, where no assessment was performed; OR to elaborate on an inadequate assessment (in all circumstances, as opposed to only when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern).

We disagree with the notion that to "discuss with management the basis for the intended use of the going concern basis of accounting" and "inquiry of management whether events or conditions exist that … may cast significant doubt" are sufficient for risk assessment purposes, in the absence of an assessment corroborating management's statements. Certain minimum procedures should be elevated to be required in all instances as part of risk assessment, as the risk cannot be understood and events and conditions cannot be identified in the absence of management making certain basic assessments and the auditor performing specific minimum observations and inspections with regard to management's assessment(s).

National Association of State Boards of Accountancy (NASBA)

Similar to our comments relating to addressing fraud, we believe that a risk-based assessment should drive the procedures performed and may require assistance from specialists.

<u>3. National Audit Standard Setters</u>

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB has received feedback that enhanced guidance for auditors on how to apply ISA 570 would be beneficial, as follows:

How to conduct risk assessment procedures, using ISA 315 revisions as an opportunity to reorient ISA 570 to the new risk assessment approach. This could also be an opportunity to re-think the terminology 'that may cast significant doubt over going concern' as this is another concept in ISA 570 that appears to be used with alternate nuances in the Accounting Standards, is likely designed to be a risk assessment gateway, but is not well understood or applied consistently. We recommend exploring whether going concern risks be a more aligned concept. This may also have utility when referencing the assessment for a MURGC, or in the longer term in collaboration with the Accounting Standards setters, whether this style of terminology and risk scale may be a modernised replacement for the MURGC concept.

Canadian Auditing and Assurance Standards Board (AASB)

Auditors being more cognizant of going concern considerations throughout the audit - For example, through:

More in-depth understanding of the entity and its environment, for example, by performing analytical procedures at the risk assessment stage that include specific considerations relating to going concern;

More robust discussions with management and those charged with governance with a focus on going concern risks; and

Considering whether to involve a specialist when going concern risks are identified.

We recommend the IAASB consider developing guidance to enhance the ability of auditors to identify and assess going concern risks. As many of the procedures discussed above were suggested by auditors (and regulators), we expect some firms are already performing many of these procedures. Guidance from the IAASB would help to promote consistency in practice.

4. Accounting Firms

PKF International Limited (PKF)

Yes, we believe that the ISAs could be enhanced with more requirements with regard to going concern in an audit of financial statements as follows:

Risk Identification and Assessment requirements:

More rigorous requirements could be introduced over the identification of risks relating to material uncertainties over going concern.

RSM International Limited (RSM)

The extant requirements on going concern require the auditor to perform procedures over management's assessment of going concern. However, we recommend consideration of the additional requirements that the UK's Financial Reporting Council has added to ISA 570 including:

The performance of risk assessment procedures over going concern with a focus on the Entity and its Environment, the Applicable Financial Reporting Framework and the Entity's System of Internal Control

6. Professional Accountancy and Other Professional Organizations

Accountancy Europe (AE)

If such disclosures were to be required, it would be feasible to further extend the auditor's role regarding these statements. In this regard, auditing standards should proactively support the widening role of auditors on going concern. This should enhance auditors':

risk assessment adaptability and agility in selecting the most appropriate risk assessment procedures and considerations for given circumstances

When performing the risk assessment for the planning of the audit, according to ISA 315 (Revised), auditors have to collect relevant information . During this assessment, auditors should give greater consideration to relevant 'external red flags' in their evaluation of going concern, for example based on information included in analyst reports and relevant developments in the environment in which the company operates

<u>8. Academics</u>

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

Based on our review of the research, we believe that there are opportunities to both enhance the effectiveness of the extant requirement for auditors to "…evaluate management's assessment of the entity's ability to continue as a going concern" (ISA 570, para.12) and to expand requirements related to opining and / or communicating on management's controls / procedures over assessing and responding to going-concern risk.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.10 - Yes - Professional Skepticism

<u>1. Monitoring Group</u>

International Forum of Independent Audit Regulators (IFIAR)

Finally, we suggest considering whether professional scepticism needs to be further highlighted in the standard related to going concern, either through changes to the standard or issuing additional guidance.

International Organization of Securities Commissions (IOSCO)

In our view, there may be unintended consequences when introducing new terminology (especially if similar in nature to professional skepticism which is universally accepted), which could widen the expectation gap or create confusion for auditors of when and how to apply a suspicious mindset versus professional skepticism during the course of an audit. Rather, we believe that professional skepticism should be emphasized and enhanced to "raise the bar" in how it is applied in practice (to evolve Professional Skepticism to an enhanced version 2.0).

General

Many of our comments made throughout this letter (e.g., root cause analyses, multi-stakeholder engagement and education, enhanced professional skepticism version 2.0) also apply to going concern, as the IAASB considers if enhanced performance or reporting requirements are necessary in relation to going concern.

<u>2. Regulators and Audit Oversight Authorities</u>

Botswana Accountancy Oversight Authority (BAOA)

Requirement to have documented evidence to the fact that the Auditor was alert throughout the audit. Minimum procedures should be performed, and such procedures should be documented in the audit engagement file.

Canadian Public Accountability Board (CPAB)

It is our view that the IAASB should strengthen the requirements in the fraud and going concern auditing standards related to how auditors exercise professional skepticism. In addition to the specific observations outlined below, this could be accomplished by adding requirements similar those recently added in ISA 315 (revised), specifically, requirements to:

Evidence how contradictory evidence was considered and concluded on.

Stand-back and consider all audit evidence obtained in forming conclusions.

Committee of European Auditing Oversight Bodies (CEAOB)

Professional scepticism

As mentioned in our general comments, the CEAOB is of the view that the IAASB should strengthen the requirements regarding the exercise of professional scepticism in relation to going concern throughout the audit of financial statements. Specific requirements should moreover be added in the conditions mentioned in paragraph 40.

For example, the IAASB should include requirements in ISA 570 that are similar to those recently added in ISA 315 (revised) i.e.:

A requirement to design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory;

A requirement to "stand-back" by taking into account all audit evidence obtained in forming conclusions.

In the same vein, use of stronger language in ISA 570 (such as "challenge", "question" and "reconsider") is a good way to foster an appropriate mindset and action by the auditor.

The CEAOB is of the view that the IAASB should strengthen the requirements regarding the exercise of professional scepticism in relation to fraud and going concern throughout the audit of financial statements. Indeed, professional scepticism is essential to audit quality and should be applied by auditors with sufficient rigor in all circumstances. The CEAOB would also like to point out that professional scepticism is a requirement set by EU law (Directive 2006/43/EC, Article 21.2), particularly when the auditor reviews management estimates relating to future cash flow relevant to the entity's ability to continue as a going concern.

Financial Reporting Council (FRC)

Professional scepticism and management bias - additional requirements and application material designed to enhance the auditor's application of professional scepticism and consideration of the potential for management bias, including more robust risk assessment requirements for identifying events and conditions and related material uncertainty (paras 10-2 and 12-2); requirement to evaluate whether events or conditions may give rise to risk of management bias (para 10-5); requirement to evaluate whether judgments and decisions made by management, even if they are individually reasonable, are indicators of possible management bias (para 18-1); requirement to "stand back" and consider all audit evidence obtained (para 18-1).

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

Professional scepticism

As mentioned in our general comments, IAASA is of the view that the IAASB should strengthen the requirements regarding the exercise of professional scepticism in relation to going concern throughout the audit of financial statements. Specific requirements should be added to the conditions in paragraph 39.

For example, the IAASB should include requirements in ISA 570 that are similar to those recently added in ISA 315 (revised) i.e.:

a requirement to design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory; and

a requirement to "stand-back" by taking into account all audit evidence obtained in forming conclusions.

In the same vein, use of stronger language in ISA 570 (such as “challenge”, “question” and “reconsider”) is a good way to foster an appropriate mindset and action by the auditor.

IAASA is of the view that the IAASB should strengthen the requirements regarding the exercise of professional scepticism in relation to fraud and going concern throughout the audit of financial statements. Indeed, professional scepticism is essential to audit quality and should be applied by auditors with sufficient rigor in all circumstances. We would also like to point out that professional scepticism is a requirement set by EU law (Directive 2006/43/EC, Article 21.2), particularly when the auditor reviews management estimates relating to future cash flow relevant to the entity's ability to continue as a going concern.

3. National Audit Standard Setters

Malaysian Institute of Accountants (MIA)

Provide clearer linkage between ISA570 to ISA 315 particularly the importance of the auditors’ robust understanding of the entity and its environment and to exercise professional scepticism in evaluating the management’s going concern assessment.

4. Accounting Firms

MHA Macintyre Hudson (MHA)

adopting a "stand back” approach regarding the overall reasonableness of going concern, aligned with other standards

RSM International Limited (RSM)

As with fraud, we would be in favour of ISA 570 (Revised) Going Concern being enhanced as set out in the bullet points on p27 of the Discussion Paper. We agree that these would promote a more questioning and sceptical mindset.

6. Professional Accountancy and Other Professional Organizations

Accountancy Europe (AE)

We also need to further explore how to address the performance gap, and in particular around the issues below that are recurrent in quality reviews:

what professional scepticism is and how it should be applied better in an audit

CPA Australia (CPAA)

Professional scepticism is not raised in ISA 570, whereas the going concern assessment is an area where we would expect the auditor to explicitly exercise scepticism. Management and TCWG may be more optimistic about the entity’s future prospects than an external party would be and so we suggest additional requirements be incorporated into ISA 570 regarding the need to exercise professional scepticism. This could be addressed, for example, by requiring consideration of the inherent bias which may influence management’s and TCWG’s judgements in assessing whether the entity will be able to realise its assets and discharge its liabilities in the normal course of business.

Institute of Chartered Accountants of Scotland (ICAS)

A stand back requirement when the auditor draws their conclusions on going concern in consideration of all evidence obtained, whether corroborative or contradictory.

Yes, we believe this to be case. In the shorter-term these could follow a similar approach to those of the UK FRC which revised its version of ISA 570 in 2019 with its enhancement requirements becoming applicable for periods commencing on or after 15 December 2019. The revisions require:

Q3a.1 - Yes\If yes, in what areas\Q3a.1.11 - Yes - Third Party Support

3. National Audit Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

Guidance to Enhance the Ability of Auditors to Identify and Assess Going Concern Risks

What our stakeholders told us

During our consultations, we heard many suggestions on how auditors can better identify and assess going concern risks such as:

Firm monitoring of publicly available information pertaining to risks of going concern in its client portfolio – For example, as part of a firm's system of quality management, the firm may establish a process for monitoring media releases, industry outlooks and other sources of information for potential going concern risks, and providing relevant information to engagement teams.

Auditors being more cognizant of going concern considerations throughout the audit - For example, through:

More in-depth understanding of the entity and its environment, for example, by performing analytical procedures at the risk assessment stage that include specific considerations relating to going concern;

More robust discussions with management and those charged with governance with a focus on going concern risks; and

Considering whether to involve a specialist when going concern risks are identified.

AASB views and recommendation

We believe guidance based on the suggestions above may help auditors better identify and assess going concern risks. On the suggestion regarding firm monitoring of publicly available information, scalability should be considered when developing guidance in this area. For example, guidance may focus on how a smaller firm can efficiently monitor information in the public domain, and how an engagement team may leverage public information that is not specific to an entity (as there is likely little publicly available information that is specific to a private enterprise).

We recommend the IAASB consider developing guidance to enhance the ability of auditors to identify and assess going concern risks. As many of the procedures discussed above were suggested by auditors (and regulators), we expect some firms are already performing many of these procedures. Guidance from the IAASB would help to promote consistency in practice.

4. Accounting Firms

CohnReznick (CR)

We believe the ISAs should adopt the US GAAS AU-C 570 requirement in paragraph .17 and related application guidance on “Financial Support by Third Parties or the Entity’s Owner-Manager” for the following reasons:

AU-C 570.17 articulates the concept of obtaining sufficient appropriate audit evidence about “intent” and “ability” and the related application guidance provides context on the concept, thus provides useful guidance and some clarity to:

auditors

management (thus aiding the auditor in performing an effective and efficient audit)

users, thus helping to lower the expectation gap.

Also, the requirement to obtain written evidence of third-party support when third-party support is necessary in supporting management’s assertion about the entity’s ability to continue as a going concern for a reasonable period of time, contributes to the rigor of the audit and, by extension, the quality.

We believe the ISAs should adopt the US GAAS AU-C 570 requirement in paragraph .17 and related application guidance on “Financial Support by Third Parties or the Entity’s Owner-Manager” for the following reasons:

AU-C 570.17 articulates the concept of obtaining sufficient appropriate audit evidence about “intent” and “ability” and the related application guidance provides context on the concept, thus provides useful guidance and some clarity to:

auditors

management (thus aiding the auditor in performing an effective and efficient audit)

users, thus helping to lower the expectation gap.

Also, the requirement to obtain written evidence of third-party support when third-party support is necessary in supporting management’s assertion about the entity’s ability to continue as a going concern for a reasonable period of time, contributes to the rigor of the audit and, by extension, the quality.

Nexia International (NI)

We believe that the inclusion in ISA 570 of provisions similar to US GAAS AU-C 570 requirement in paragraph .17 and related application guidance on “Financial Support by Third Parties or the Entity’s Owner-Manager” would be appropriate for the following reasons:

AU-C 570.17 articulates the concept of obtaining sufficient appropriate audit evidence about “intent” and “ability” and the related application guidance provides context on the concept, thus provides useful guidance and some clarity to auditors, management (thus aiding the auditor in performing an effective and efficient audit) and users, thus helping to lower the expectation gap.

Also, the requirement to obtain written evidence of third-party support when third-party support is necessary in supporting management’s assertion about the entity’s ability to continue as a going concern for a reasonable period of time, contributes to the rigor of the audit and, by extension, the quality.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.12 - Yes - Timeline for assessment

<u>3. National Audit Standard Setters</u>

Australian Auditing and Assurance Standards Board (AUASB)

In Australia we have already extended the time period for the auditor's assessment beyond ISA 570 to at least approximately 12 months from the date of the auditor's report to the expected date of the next auditor's report. Auditors are also required to request management and TCWG to extend their assessments to align with the auditors. The AUASB do not support further extending the time period for going concern assessments beyond our localised position due to the inherent difficulty in obtaining sufficient appropriate audit evidence on management's assessment and plans over a longer time period. If there is a need to provide more information to users on longer term risks to the viability of an entity this may be better achieved through careful consideration as to longer term reporting such as Resilience or Viability Statement. We recommend the IAASB consider extending the ISA 570 time period to our localised Australia position, of at least approximately 12 months from the date of the auditor's report to the expected date of the next auditor's report.

In relation to the time period for going concern assessments, in Australia we have already extended this to approximately 12 months from the date of the auditor's current report to the expected date of the next auditor's report, which is greater than the time period in ISA 570.

Hong Kong Institute of Certified Public Accountants (HKICPA)

Different jurisdictions and regulations have divergent requirements for the period subject to going concern assessment - whether it should be from the date of the balance sheet or the date of the audit report. Alignment of the going concern assessment period across jurisdictions could enhance the comparability of financial statements and help to reduce the expectation gap.

Some stakeholders have commented that the auditor should consider and evaluate management's assessment of the entity's ability to continue as a going concern over a period of at least twelve months from the date of approval of the financial statements. Different jurisdictions and regulations have divergent requirements for the period subject to the going concern assessment - whether it should be from the date of the balance sheet or the date of the audit report. Alignment of the going concern assessment period across jurisdictions could enhance the comparability of financial statements and help to reduce the expectation gap. The same stakeholders also indicated the going concern assessment period for a period of at least twelve months from the date of approval of the financial statements could provide a longer period. We would encourage the IAASB to communicate with international accounting standard setters to explore whether the disclosure and basis for going concern assessment should be re-considered and updated to meet stakeholders' expectations.

Malaysian Institute of Accountants (MIA)

As to whether auditors should be required to consider a longer time period in their going concern assessment, i.e., beyond the current required period, we are of the view that a 12-month period is sufficient as financial statement audits are to be done annually and the auditors are not able to assess events too far into the future. However, the IAASB may consider whether the 12-month period should start from the date of the statement of financial position or date of auditor's reports.

The going concern assessment from the existing ISA 570 generally covers a 12-month period from the date of the statement of financial position, with the exception to extend the assessment period should there be known event that may affect the going concern assessment beyond 12 months. The IAASB may consider the basis adopted in the UK, in which the 12-month period of assessment is from the date of the audit report (generally the same date of the approval of the financial statements) instead of the balance sheet date. The change of the "start date" is particularly important during this pandemic as there were several extensions for the submission of audited financial statements, even up to 9 months after the date of the statement of financial position for which based on ISA 570, assessment for going concern would only need to be performed for the remaining period of 3 months. Under such circumstances, the value of an audit in relation to going concern may have been diluted as compared to an audit where a forward-looking assessment of 12 months is done on going concern from the auditor's report date. However, for any change in the period of coverage, there should also be a change on the preparer's side to cover the same period as the auditor.

New Zealand Auditing and Assurance Standards Board (NZAuASB).pdf

Time frame

At our roundtable event 60% of participants do not consider that the time frame for the assessment should be extended beyond 12 months. 30% thought maybe or sometimes.

ISA 570 (Revised) Going Concern paragraph 13 requires the auditor to consider the same time frame as that used by management to make its assessment, as required by the applicable financial reporting framework, but not less than twelve months from the date of the financial statements. IAS 1 refers to a period which is at least, but not limited to, twelve months from the end of the reporting period. Our roundtable participants stressed that the assessment is linked to the reporting cycle (and interim reporting plays into this too) and the need for consistency with the financial reporting requirements. Auditor liability concerns, limitations on the value of extending the time period given the increasing uncertainty the longer the time period where highlighted, and questions raised as to how the benefits of extending the time period would outweigh the costs.

In New Zealand, the NZAuASB has extended the relevant period for consideration by the auditor in ISA (NZ) 570 (Revised) to a period of at least twelve months from the date of the auditor's report. Historically, the New Zealand auditing standards have referred to the period of 12 months from the date of the auditor's report. Therefore, this is established best practice in New Zealand. Given the recent focus on going concern matters, the NZAuASB considers that audit quality may be significantly enhanced where the auditor's assessment covers a minimum of twelve months from the date of the current auditor's report. This would mean that the auditor has considered the appropriateness of the use of the going concern basis of accounting up until the date that the audit is formally completed for the next period. We note that there has not been alignment in New Zealand between the accounting standards and the auditing standards in this regard. Participants in our roundtable event, did not identify any unintended consequences arising from this difference.

The NZAuASB does not consider the time period should be extended beyond 12 months from the date of the auditor's report but would support consideration of whether the application material should have less of a focus on 12 months given there are circumstances where this may vary.

<u>4. Accounting Firms</u>

Crowe (CG)

The auditor ought to have enhanced requirements with regard to going concern in an audit of financial statements. In particular, the assessment of going concern ought to be for a period longer than twelve months. The expectations regarding the information about going concern that is made available to auditors ought to be enhanced.

KPMG

A key proposal in the DP is for the going concern evaluation to be extended to cover a longer period. Based on ISA requirements and their interaction with the requirements of financial reporting frameworks, e.g. IFRS Standards, the current period of assessment is 'at least, but not limited to, 12 months from the reporting date'. For some entities, there may be events or conditions that occur beyond such a timeframe that may cast significant doubt on the entity's ability to continue as a going concern, e.g. if the entity needs to undertake significant re-financing activities 18 months after the reporting date, the auditor would currently be required to consider available information about these events, as well as to make inquiries of management and remain alert to the existence of such events or conditions. Accordingly, our view is that it may be helpful to explore certain clarifications regarding the auditor's evaluation of the appropriateness of the period for management's assessment.

We believe that consideration should be given to the length of the period of management's assessment being directly linked to the date of authorisation of the financial statements, rather than the reporting date, noting that this approach is already taken in certain jurisdictions, e.g. the US, the UK and Australia where, if management's assessment covers less than twelve months from the date of approval of the financial statements, the auditor requests management to extend its assessment to at least twelve months from that date. We consider that this may be more appropriate in terms of the underlying objectives of the requirement, as 'going concern' is a fundamental assumption underlying the basis of preparation of the financial statements and, accordingly, it is critical for this assumption to be appropriate at the time the financial statements are approved for issue, considering the information needs of users of the financial statements. This is also likely to be particularly important as the time between the date of authorisation and the reporting date increases.

We highlight that audit requirements are based on the fundamental premise that 'management goes first', i.e. management is best placed to make the assessment of going concern, based on their extensive knowledge of the specific circumstances of the entity, and the auditor evaluates this. We recommend, therefore, that financial reporting standards and other legal/ regulatory/ corporate governance requirements retain this core principle.

Accordingly, in exploring any changes in this area, the IAASB would need to work closely with financial reporting standard-setters, including the IASB, as well as other bodies, e.g. regulators and national standard-setters.

In terms of the length of the period of assessment, we note that the further into the future the events/ conditions are expected to occur, the more uncertainty there is involved, and therefore it may be challenging to obtain sufficient appropriate audit evidence. Accordingly, if the length of the period were to be extended beyond 12 months from the date of authorisation of the financial statements, it would be more likely that a MUGC would be considered to exist, which we do not believe would be in the public interest.

We therefore recommend that the IAASB, together with financial reporting standard-setters and other bodies, consider this carefully, so that any solution achieves an appropriate balance in terms of a period that is sufficiently long that it is informative, however, not so long that uncertainty is introduced that is of such a degree that neither management nor the auditor is able to reach a conclusion or provide meaningful information. We consider that a period that is required to be 'at least, but not limited to, 12 months' remains fit for purpose in terms of achieving this balance, noting that this would align with the fact that most financial reporting cycles, and audits thereon, are on an annual basis, supplemented by updated information provided in respect of interim periods. (See also our recommendations regarding longer-term resilience/ viability information below).

Furthermore, we recommend that the IAASB (and other international bodies) continue to express this period as being 'at least, but not limited to' and do not aim to establish an 'end-date'. Instead, the focus should clearly be on the need to evaluate relevant information, rather than on a specific time period. Management would be required to determine what information is relevant and then establish their period of assessment to include such information, i.e. standards should emphasise that the information about the future that may result in the identification of events or conditions that may cast significant doubt over the entity's ability to continue as a going concern determines the appropriate period rather than vice versa.

We believe that reference to a period of assessment that covers at least, but not limited to, 12 months from the date of authorisation of the financial statements would be a helpful indicative starting point for entities and auditors, who would also benefit from clearer guidance as to when it may be appropriate to extend the period of assessment beyond 12 months. We note that ISA 570.A14 states that 'since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further into the future, the indications of going concern issues need to be significant before the auditor needs to consider taking further action'. As such considerations likely require significant use of judgement, both management and auditors would benefit from further guidance including factors to consider in determining 'significance' to going concern. We believe this premise of relevant information and the appropriate period is embedded in the ISA currently, but it may benefit from clarification/ enhancement, with financial reporting standards, and laws/ regulations updated to align with this. The IAASB may also consider exploring whether to amend the ISAs to specifically require the auditor to evaluate the appropriateness of the period of management's assessment.

in respect of going concern, ISA 570 (Revised) may benefit from an enhancement that expresses the time-period for management's going concern assessment as covering at least, but not limited to, 12 months from the date of authorisation of the financial statements, rather than from the reporting date. However, this change would only be appropriate if it was aligned with the requirements of the relevant financial reporting framework.

Mazars (MAZ)

It could be useful to clarify in the standard the meaning of "a minimum of 12 months."

Moore (MGN)

In more general terms, we believe that a key difficulty for auditors with regard to going concern is the duration period for which management makes its evaluation of going concern. In many cases this is not the duration period which auditors are required to consider when performing their audit procedures - this disconnect is inevitably a source of difficulty. While we recognise that IAASB has no responsibility for accounting standards we would suggest that some coordination might be beneficial to all.

Nexia International (NI)

We also believe that IAASB should work with IASB and regulators to extend management's obligation to consider going concern to at least 12 months form their approval of the financial statements. This should also include obligations on management, at least for more complex entities, to prepare forward looking information of an appropriate standard to support the going concern assumption.

RSM International Limited (RSM)

The Discussion Paper requests views on the period for which going concern is assessed. We suggest that, in common with a number of jurisdictions, this time period should be twelve months from the date of the approval of the financial statements or the audit report rather than just the date of the financial statements set out in ISA 570 paragraph 13. If such a change is considered, we recommend that the IAASB engage in discussions with the Accounting Standards setters to align the financial reporting and auditing requirements. As a transitional measure in order to avoid conflict with financial reporting frameworks that have an established time period management that is required to assess going concern, we recommend that the auditing standards specify that the evaluation should cover the time period included in the financial reporting framework until such time as alignment is achieved. Otherwise, the time period above should be used.

6. Professional Accountancy and Other Professional Organizations

American Institute of Certified Public Accountants (AICPA)

We support the concept that the auditor's evaluation of management's assessment of the entity's ability to continue as a going concern should cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework. However, we also recognize that there may be some financial reporting frameworks that have no explicit requirement. As further explained in our response to IAASB Question 3(a), we encourage the IAASB to consider the incremental audit requirements contained in U.S. GAAS (AU-C section 570) related to auditor responsibilities for evaluating going concern. In particular, AU-C section 570 provides a definition of "reasonable period of time" that includes the period of time required by the applicable financial reporting framework, or if no such requirement exits, within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable). This definition aids the auditor when determining the period of time to be considered.

Center for Audit Quality (CAQ)

In the absence of revisions to the international accounting standards to provide more clarity as to the going concern assessment period, the Board could consider whether there are changes to ISA 570 (Revised) that could assist with narrowing the expectation gap. For example, ISA 570 (Revised) could be revised to include a requirement for the auditor to assess the reasonableness of the period utilized by management in their going concern assessment.

CFO Forum

This is also in line with the IAASB's question to stakeholders on whether entities should be required to assess their ability to continue operating as a going concern for longer than 12 months and whether auditors should consider the longer timeframe in their assessment. We are of the view that the going concern assessment timeframe should be extended beyond 12 months, for a period that would adequately incorporate solvency risk associated with the entity. Users would also benefit from disclosures explaining the solvency risk period that was assessed.

Chartered Accountants Australia and NZ and ACCA - Joint (CAANZ-ACCA)

Extending the entity's assessment of going concern beyond 12 months, and whether auditors should be required to consider this longer time period in their assessment.

According the feedback received, most of our stakeholders did not support extending the period of the entity's assessment for going concern. There was a common view that there is diminishing value from any form of assurance as the forward-looking period lengthens. Furthermore, our stakeholders noted that, rather than extending the going concern assessment beyond 12 months, it would be more relevant to look at 12 months from the date of the auditor's report rather than 12 months from the balance sheet date in those jurisdictions that have not yet adopted this approach. To illustrate our point, in light of Covid-19, in most countries there were extensions of reporting deadlines and, as a result the usefulness of a 12-month going concern assessment starting from the balance sheet date was less relevant as the report may not be signed for six months or more after this date. Requiring management and auditors to assess/assure going concern from the date of signing would be more useful to stakeholders and an evolution of current practice in many jurisdictions.

We note that both Australia and New Zealand have already implemented this development and require the auditor to sign off on 12 months from the date of their report. This is an extension of the assessment period beyond what is required under IAS 1, Presentation of Financial Statements, for preparers. We do note that, the NZASB has moved to enhance going concern disclosures in the absence of change from the IASB. As the NZ accounting standards reforms are new, we do not yet have insight as to whether they have impacted the expectation gap. However, only when such revisions happen at the international level, in this case via the IASB, we will be able to have consistent application internationally.

CPA Australia (CPAA)

In Australia the auditor's going concern assessment extends for approximately twelve months from the date of the auditor's current report to the expected date of the next auditor's report, which is longer than the period required in ISA 570. The IAASB could consider similarly extending the period for going concern assessments to this extent. However, we would not recommend further extension beyond that time horizon. We consider that the going concern assessment per se becomes of dubious benefit beyond that period as there is increasing uncertainty regarding future outcomes the further into the future the assessment is required.

Nevertheless, a management statement regarding future viability of the entity could be subject to an assurance engagement to the extent of the assumptions and data underlying management's assessment of the future viability of the business and their risk assessment regarding the factors which will impact that viability. Regardless of the contents of any such assured statement, there are no guarantees that the outcomes expected will be achieved as the future is unpredictable.

Institute of Chartered Accountants in England and Wales (ICAEW)

Going concern: 12 months from when? In the UK, the required period for management to consider is 12 months from the approval of the financial statements and UK auditors report challenging entities to look even further this reporting season. We believe that this extension should be actively considered by IAASB. We find no conflict between the accounting and auditing requirements and note in our main points above our belief that IAASB should seek to re-engage with the IASB on this important issue.

Institute of Directors in South Africa's Audit Committee Forum (IoDSA ACF)

We are of the view that the going concern assessment timeframe should be extended beyond 12 months, for a period that would adequately incorporate solvency risk associated with the entity.

Kriton (KNL)

Clarifying the scope of the term ‘going-concern assumption’, such as with regard to the period (‘horizon’) and the inherent uncertainty of forward-looking information.

National and international regulators (reporting)

IAASB

In our view, the requirements regarding the going-concern assumption procedures should be clarified regarding:

The horizon that the auditor should maintain in evaluating the information underlying management’s application of the going-concern assumption. This concerns both the period for which forward-looking information must be taken into account (1 year or longer?) and the date on which that period starts (balance sheet date or date of the financial statements?).

South African Institute of Chartered Accountants (SAICA)

Paragraph 13 of ISA 570 requires that, in evaluating management’s assessment of the entity’s ability to continue as a going concern, the auditor shall cover the same period as that used by management to make its assessment as required by the applicable financial reporting framework, or by law or regulation if it specifies a longer period. According to IAS 1, this period is 12 months from the financial reporting date. SAICA’s view is that this period should be extended to at least 12 months after the auditor’s report date. In South Africa, this is particularly important in the context of LCEs where audits are often completed long after the financial reporting date making an assessment that only considers 12 months after the financial reporting date inappropriate and insufficient. ISA 570 could be enhanced to include this requirement. Such enhancement could also be in the form of making the proposed requirement applicable under certain circumstances such as the one mentioned above. The 12 months’ requirement should be a minimum requirement and where there is other relevant information that extends beyond this period, the auditor should be required to consider this information as well.

Q3a.1 - Yes\If yes, in what areas\Q3a.1.13 - Yes- Other concepts of Financial health

<u>3. National Audit Standard Setters</u>

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB considers that reporting by entities on other concepts of resilience and longer-term viability should be explored further. Now is an appropriate time to consider if reporting by entities on longer term viability would be of more value than the current going concern assessments alone. Then there should be a careful consideration as to the auditor’s responsibility to provide a level of assurance or read and consider (other information) on this type of reporting.

6. Professional Accountancy and Other Professional Organizations

CPA Australia (CPAA)

Whilst we consider that going concern assessments are adequately addressed in the standards, there may be increasing appetite for assurance on resilience or viability of the entity. However, we suggest that any such assurance would need to be over the assumptions and data underpinning management's or TCWG's statement of resilience or viability. At a minimum, it would be considered as "other information" as part of the annual report. Changes in this regard could be led by the reporting framework or national legislation requiring such a statement, or encouragement that such statements be provided voluntarily and which may be assured.

Institute of Chartered Accountants in England and Wales (ICAEW)

Going concern, viability and resilience: we do not believe that now is the right time for IAASB to devote resources to develop thinking about viability or resilience per se. However, IAASB might consider bringing some elements of viability reporting into going concern assessments, such as auditor assessment of stress or reverse stress testing performed by management, probability assessments for different scenarios, and looking beyond one year.

Institute of Chartered Accountants of Scotland (ICAS)

Greater use of the viability statement (for entities who apply the UK Corporate Governance Code).

Longer-term viability

The focus of the IAASB is on going concern. There is evidence that stakeholders are also looking for more information on the long-term viability of a business. That is why we are strongly supportive of the resilience statement approach as recommended by Sir Donald Brydon in the UK. This incorporates and builds on the Going Concern and Viability Statements, and would greatly improve transparency and avoid surprise failures (it is impossible to avoid corporate failure completely). The tiered outlook would address one of the criticisms of the current viability statement regime, whereby corporates may have taken an overly short-term view in their assessments, with a three-year outlook being prominent. However, we would caution that this is a complicated and developing field. The last 12 months have reinforced some of the practical difficulties that boards will encounter trying to predict the speed of change, and the impact of, as yet unknown, future scenarios and external threats.

Yes, we believe this to be case. In the shorter-term these could follow a similar approach to those of the UK FRC which revised its version of ISA 570 in 2019 with its enhancement requirements becoming applicable for periods commencing on or after 15 December 2019. The revisions require:

Q3a.1 - Yes\If yes, in what areas\Q3a.1.98 - Yes - Other

2. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

Deletion of ISA 570.16(a) (in the context of the proposal to insert a requirement for management to extend a going concern assessment in all circumstances, as opposed to only when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern).

Dissociation of the elements that make up the requirement in ISA 570.16(b), to clarify that there are three different steps or objectives, namely, (i) obtaining an understanding of how management intends to respond to the event(s) or condition(s); (ii) assessing if the response is likely to mitigate the event(s) or condition(s); and (iii) assessing the feasibility of management's planned response. More application guidance in paragraph A17 may also be helpful, as A17 again overemphasises reliance on inquiry.

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

Auditor's responses where there are conditions that may cast significant doubt on the entity's ability to continue as a going concern

In addition, where there are conditions that may cast significant doubt on the entity's ability to continue as a going concern (for example financial difficulties), the IAASB should determine what further audit procedures the auditor should perform, including in relation to the related disclosures in the financial statements.

In those cases, auditors should also request management to provide written confirmation of the appropriateness of its assessment, based on sufficient and appropriate supporting evidence.

3. National Audit Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

Guidance to Enhance the Ability of Auditors to Identify and Assess Going Concern Risks

What our stakeholders told us

During our consultations, we heard many suggestions on how auditors can better identify and assess going concern risks such as:

Firm monitoring of publicly available information pertaining to risks of going concern in its client portfolio – For example, as part of a firm's system of quality management, the firm may establish a process for monitoring media releases, industry outlooks and other sources of information for potential going concern risks, and providing relevant information to engagement teams.

We believe guidance based on the suggestions above may help auditors better identify and assess going concern risks. On the suggestion regarding firm monitoring of publicly available information, scalability should be considered when developing guidance in this area. For example, guidance may focus on how a smaller firm can efficiently monitor information in the public domain, and how an engagement team may leverage public information that is not specific to an entity (as there is likely little publicly available information that is specific to a private enterprise).

4. Accounting Firms

KPMG

There may be a lack of consistent understanding of terms such as 'feasible'. We recognise that it is not usually possible to ascribe percentage probabilities to such outcomes and accordingly the determination of 'feasible' falls along a spectrum, however, we consider that it would be helpful for auditors if the ISA were to provide more guidance about factors to consider in determining where on this spectrum the matter may fall.

We also suggest that the IAASB explore clarification to terminology such as 'feasible' and how this may be impacted by significant economic uncertainty, such as that resulting from the COVID-19 pandemic. In exploring such changes, we note that we do not believe it would be in the public interest to enhance the standard such that there is an increase in MUGCs absent a change in economic conditions.

PKF International Limited (PKF)

Subsequent events requirements

Enhancements could be made, which require more detailed work by the auditor over the going concern assessment, toward the end of the audit. Such procedures would be introduced to ensure that if the initial audit work over management's assessment of going concern is performed significantly earlier than the date on which the auditor's report is signed, that rigorous top-up procedures are performed to update the audit work for current circumstances affecting the going concern assessment.

RSM International Limited (RSM)

Extending the auditor's responsibilities where management refuses to extend its assessment beyond the period required by the financial reporting framework to include discussions with those charged with governance and the consideration of whether a significant deficiency in internal control exists

The extant requirements on going concern require the auditor to perform procedures over management's assessment of going concern. However, we recommend consideration of the additional requirements that the UK's Financial Reporting Council has added to ISA 570 including:

5. Public Sector Organizations

US Government Accountability Office (GAO)

If the IAASB adds or enhances requirements with regard to going concern, we suggest that it consider whether different guidance is needed for government auditors. Going concern as discussed in the IAASB's discussion paper is generally not relevant for government auditors and government entities. For example, for federal government entities the Federal Accounting Standards Advisory Board (FASAB) considered the nature of the federal government and determined that going concern as contemplated in the commercial sense is not applicable to federal government financial reporting.4 Rather, for the consolidated financial report of the U.S. government, FASAB requires fiscal sustainability reporting.5 Also, the International Public Sector Accounting Standards Board issued a Recommended Practice Guideline to provide guidance on reporting on the long-term sustainability of a public sector entity's finances.6 If the IAASB were to consider additional requirements related to going concern, it may be beneficial to examine the need for government auditors to perform audit procedures related to identifying any fiscal sustainability challenges for government entities and potentially disclosing them in their auditor's report.

6. Professional Accountancy and Other Professional Organizations

American Institute of Certified Public Accountants (AICPA)

We encourage the IAASB to consider the incremental audit requirements contained in U.S. GAAS related to auditor responsibilities for evaluating going concern in AU-C section 570, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern. We recognize that AU-C section 570 uses different terminology than ISA 570 (Revised) when describing certain concepts and references to accounting terms. The terminology used in GAAS is more commonly used in the United States, for example the use of "substantial doubt." However, the concepts are similar.

Further, we encourage the IAASB to consider if and how any proposed changes to the auditor's responsibilities relating to going concern might affect the auditor's responsibilities when auditing financial statements prepared in accordance with a special purpose framework, when auditing a single financial statement, and when engaged to review interim financial information. For example, U.S. GAAS were recently amended to reflect revised auditor responsibilities for assessing going concern and those revisions also included amendments to AU-C section 800, Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks, AU-C section 805, Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement, and AU-C section 930, Interim Financial Information. As circumstances related to going concern would likely be relevant to users of the financial statements in at least some of the situations described in this paragraph, we recommend the IAASB include those sections in their research and consideration of potential changes.

The following is a summary of the requirements in GAAS that are not in ISA 570 (Revised):

AU-C section 570 includes a definition of reasonable period of time that includes the period of time required by the applicable financial reporting framework and also includes application material with examples of the periods contained in various financial reporting frameworks. ISA 570 (Revised) does not include this definition or the related application material.

AU-C section 570 contains an objective of the auditor to evaluate the possible financial statement effects, including the adequacy of disclosure regarding the entity's ability to continue as a going concern. The ASB believes that the inclusion of this objective is important to address disclosures, particularly for accounting frameworks that contain explicit disclosure requirements. ISA 570 (Revised) does not include this objective.

AU-C section 570 contains a requirement for the auditor to obtain sufficient appropriate evidence, including written evidence, when management's plans include financial support by third parties or the entity's owner-manager and such support is necessary in supporting management's assertions about the entity's ability to continue as a going concern. This requirement is important to address these situations.

AU-C section 570 contains a requirement for the auditor to request written representations from management about management's plans to mitigate the adverse effects of conditions or events that indicate there is substantial doubt about the entity's ability to continue as a going concern and the completeness of the financial statement disclosures that management is aware that are relevant to the entity's ability to continue as a going concern. AU-C section 570 also:

Includes requirements that address comparative presentations

eliminates an emphasis-of-matter paragraph from a reissued report

includes a requirement for the auditor to document specific matters related to the auditor's evaluation and conclusions about conditions or events that are identified, when considered in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern before consideration of management's plans

Institute of Certified Public Accountants of Uganda (ICPAU)

ICPAU believes that the auditor should have enhanced or more requirements with regard to going concern in an audit of financial statements. For example, with the lessons from the COVID-19 crisis, it would be prudent for auditors to have enhanced requirements in relation to potential future events that may cast doubt on the entity's ability to continue as a going concern. The COVID-19 crisis and all the resultant devastating effects for businesses mean auditors cannot afford to ignore future events in their audits. Such transparency will enhance the confidence of the users of the financial statements.

Institute of Chartered Accountants in England and Wales (ICAEW)

A two-tier system: distinguishing between procedures required for entities that are clearly going concerns - where cash, profitability, funding and prospects are all good for example, and in which the preparation of a cash flow forecast might not be necessary - and procedures for all other entities where this is not the case.

No cash flow forecast: greater clarity about auditor options where management has not produced a cash flow forecast where one might reasonably be expected - such as detailed oral enquiries backed up with documentation, and consideration of a modified audit report.

Many of those we consulted were of the view that the ISA should refocus the responsibilities between management and auditors. Currently, the expectation seems to be that all management is required to do is to respond to auditor queries about how management has satisfied itself that the entity is a going concern. The ISA should better reflect widespread requirements within law and regulation for management to do more.

Reviews: clarity relating to when internal reviews such as 'hot' reviews or EQCRs might be appropriate.

Kriton (KNL)

We propose the following amendments to ISA 570:

Clarifying the difference between uncertainty about future events and not having sufficient appropriate audit evidence to support the going-concern assumption.

Clarifying the effective date and duration of the period that the auditor must include in his evaluation of the forward-looking information to support the going-concern assumption.

Implementing the principle of ‘spectrum of inherent going-concern risks’, analogous to ISA 315 and ISA 540.

Where possible, introducing the principle of scalability with regard to the response to the identified risks, as is also the case with ISA 315 and ISA 540.

Pan African Federation of Accountants (PAFA)

Similar to fraud considerations, PAFA supports the notion that as part of their planning process, auditors be required to evaluate and report on their procedures around management’s processes in making the assessment that the entity will continue as a going concern.

South African Institute of Chartered Accountants (SAICA)

ISA 570 could include more prescriptive requirements that the going concern assessment should be forward looking and only limited to the information being audited at the end of the financial period.

7. Investors and Analysts

Corporate Reporting Users Forum (CRUF)

As such, the auditor is expected to collect sufficient information and to have high skill to make this judgement. We would like to ask the IAASB to develop, and review in a timely manner, auditing standards with such expectation in mind, while responding to changes in the situation such as the Covid-19 pandemic.

8. Academics

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

we believe that there is an opportunity for the IAASB to improve practice in this area, and reduce the expectation gap, by drawing on the findings of this research to help auditors meet the extant requirement to "…evaluate management's assessment of the entity's ability to continue as a going concern" (ISA 570, para. 12) and fulfill additional requirements where events or conditions casting significant doubt on the entity's ability to continue as a going concern exist (para.16).

Q3a.1 - Yes\If yes, in what areas\Q3a.1.99 - Plus enhanced application material or guidance

2. Regulators and Audit Oversight Authorities

Financial Reporting Council (FRC)

More could be done to support and enhance the application of professional scepticism. We have made revisions in ISA (UK) 570 and are proposing revisions in ISA (UK) 240, as described in our responses to Q2(a) and Q3(a).

National Association of State Boards of Accountancy (NASBA)

We also believe that a lack of auditor competence in identifying "red flags" that indicate an organization may be failing, or analyzing management's forecasting and plans, are partly to blame for these challenges. Additional guidance is part of the solution. Seeking ways to better train auditors on addressing management's going concern assessment would also be beneficial.

The IAASB should consider enhancements to the current auditing standards for evaluating issues related to going concern, e.g., providing additional application material.

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

More guidance to assist auditors on how to assess the factors that exist and to interpret evidence when concluding on whether a MURGC exists or that the going concern basis of accounting is not appropriate.

We have also received feedback from auditors that further guidance in evaluating what type of modified opinion to provide in what circumstances would be beneficial. The considerable disruption to the Australian economy during the COVID-19 pandemic highlighted practical challenges for auditors when there is considerable uncertainty as to the future and how to assess if the auditor has sufficient evidence to conclude that the use of the going concern basis of accounting is appropriate, versus that there is sufficient evidence that the entity cannot support a going concern basis of preparation. There is little guidance on how an auditor interprets the evidence they do have, where there is market uncertainty, to form a view, versus the desire for more persuasive evidence, where there is market uncertainty, and how this impacts the obligation to gather sufficient appropriate evidence. This determination is critical as it could be the difference between a disclaimer of opinion or an adverse opinion. Currently in the absence of guidance this assessment is prone to varying interpretations and further guidance is required to support auditors in making these judgements and to result in consistent interpretation.

More guidance on how to evaluate management's assessment of the entity's ability to continue as a going concern. We note that the ISA (UK) 570 includes more prescription on how to perform this assessment which would be helpful for auditors as guidance.

Canadian Auditing and Assurance Standards Board (AASB)

Guidance to Enhance the Ability of Auditors to Identify and Assess Going Concern Risks

What our stakeholders told us

During our consultations, we heard many suggestions on how auditors can better identify and assess going concern risks such as:

Firm monitoring of publicly available information pertaining to risks of going concern in its client portfolio – For example, as part of a firm's system of quality management, the firm may establish a process for monitoring media releases, industry outlooks and other sources of information for potential going concern risks, and providing relevant information to engagement teams.

Auditors being more cognizant of going concern considerations throughout the audit - For example, through:

More in-depth understanding of the entity and its environment, for example, by performing analytical procedures at the risk assessment stage that include specific considerations relating to going concern;

More robust discussions with management and those charged with governance with a focus on going concern risks; and

Considering whether to involve a specialist when going concern risks are identified.

AASB views and recommendation

We believe guidance based on the suggestions above may help auditors better identify and assess going concern risks. On the suggestion regarding firm monitoring of publicly available information, scalability should be considered when developing guidance in this area. For example, guidance may focus on how a smaller firm can efficiently monitor information in the public domain, and how an engagement team may leverage public information that is not specific to an entity (as there is likely little publicly available information that is specific to a private enterprise).

We recommend the IAASB consider developing guidance to enhance the ability of auditors to identify and assess going concern risks. As many of the procedures discussed above were suggested by auditors (and regulators), we expect some firms are already performing many of these procedures. Guidance from the IAASB would help to promote consistency in practice.

developing guidance for the auditor to enhance their ability to identify and assess going concern risks.

Malaysian Institute of Accountants (MIA)

Expand the guidance on consideration of the appropriateness of the period covered in the going concern assessment particularly in what circumstances the management and auditor should extend the period covered to more than 12 months.

Provide enhanced guidance for auditor's evaluation of the management's assessment with consideration to the enhancements made to ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures for auditing accounting estimates involving how the auditor considers the significant assumptions and data used in management's assessment, including with respect to evaluating management's plans for future actions and the ability to execute these actions, as well as whether consistency of the assumptions underpinning the going concern assessment with assumptions used in other areas (e.g. impairment analysis).

New Zealand Auditing and Assurance Standards Board (NZAuASB).pdf

Flowchart

The NZAuASB has included a flowchart in the appendix to ISA (NZ) 570 (Revised), the flowchart is included in the appendix to this response. Practitioners have found the flowchart to be a useful visual guide to reporting on going concern issues and we recommend that such a flowchart be added to ISA 570.

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4. Accounting Firms

Ernst and Young (EY)

Consistent with our responses to Q1(a) and Q1(b), we believe that meaningful change in addressing the expectation gap related to going concern needs to involve enhancements to accounting frameworks. The auditor's responsibilities should then be reexamined in light of any enhancements made. Nevertheless, we believe that there are some opportunities to enhance current ISA 570 (Revised), including to address any performance gap that may exist related to implementation of the current requirements. We have the following suggestions:

Expanding guidance on considering the appropriateness of the period used by management in its going concern assessment, particularly when events or conditions relevant to the entity's ability to continue as a going concern have been identified beyond the period of management's assessment.

Enhancing the guidance for the auditor's evaluation of management's assessment with consideration to the enhancements made to ISA 540 (Revised) for auditing accounting estimates. When events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, management applies significant judgment and estimation in its assessment of going concern. Guidance could be enhanced related to how the auditor considers the significant assumptions and data used in management's assessment, including with respect to evaluating management's plans for future actions and the ability to execute these actions, as well as whether the assumptions used are consistent with related assumptions used in other areas of the financial statements (e.g. asset impairment analyses).

Mazars (MAZ)

The auditing standard mentions that the auditor should remain alert throughout the audit. This concept is not well understood and is applied differently in jurisdictions, some have adopted a proactive alert / safeguard mechanism, while others have not. Some have also put in place forecasts accounts that need to be approved by a board at a certain period of time. We encourage the IAASB to give more guidance on what is expected around "remain alert throughout the audit".

More guidance for auditors on how address fraud and going concern in a transnational group under ISA 600 would help all practitioners

More guidance for auditors on how address fraud and going concern in a transnational group under ISA 600 would help all practitioners

MHA Macintyre Hudson (MHA)

guidance on stress testing and reverse stress testing of management models to assess viability in adverse and severe conditions

Moore (MGN)

Clarification and explanation of widely misunderstood audit related concepts including but not limited to:

The scope and purpose of an audit;

Inherent limitations;

Scepticism;

Materiality.

We believe that the clarification and explanation exercise above should be the priority. To try and revise standards before clarifying these concepts would potentially result in lower quality standards.

We believe that the IAASB could usefully consider the provision of additional practical guidance with clear linkage to practical application of existing requirements. Flow charts/decision trees might be a useful method to explore in this respect.

PricewaterhouseCoopers (PWC)

While we do not believe there is a need for changes to requirements of the respective ISAs, updates to application material or the development of supplementary non-authoritative guidance outside the standard could helpfully clarify areas of inconsistent interpretation, better reflect the evolving business environment, or further underscore the appropriate exercise of professional scepticism.

RSM International Limited (RSM)

The requirement in ISA 570 paragraph 11 to remain alert throughout the audit for evidence of events or conditions that may cast significant doubt on the entity's ability to continue as a going concern would, in our view, include circumstances known to the auditor beyond the period of management's assessment. For example, a requirement to repay a loan in 18 months, which could cause an issue with an entity's ability to remain a going concern despite it being outside the assessment period required under the relevant financial reporting framework would require evaluation by management and the auditor. More explicit guidance in this area would be welcome.

<u>6. Professional Accountancy and Other Professional Organizations</u>

Center for Audit Quality (CAQ)

In addition to seeking feedback from regulators and accounting standard setters, we encourage the Board to carefully consider whether making changes to the ISAs is the most appropriate response to the challenges outlined in the Discussion Paper with respect to fraud and going concern. We believe the Board has a menu of options when it comes to affecting change in these areas. Implementation guidance, non-authoritative support materials, and staff audit practice alerts supporting sufficiently principles-based standards likely can achieve many of the objectives laid out in the Discussion Paper.

CFO Forum

Furthermore, the Financial Reporting Council (FRC) launched an inquiry led by Lord Sharman to identify lessons for companies and auditors addressing going concern and liquidity risks. The final report of the Sharman Inquiry "Going concern and liquidity risks: lessons for companies and auditors" (the report) was issued in 2012. The FRC highlighted the importance of solvency risks and why they should be incorporated in an entity's going concern policy.

Evidence obtained by the Sharman Inquiry confirmed that the principal focus of the going concern assessment process is on liquidity and that, outside the regulated financial services industry, there is little focus on solvency. The panel believes that solvency risk is important because it underpins the ability to obtain and maintain debt funding as well as equity funding for the business. Contrast with liquidity risk, solvency risk is about the viability of the business model and the maintenance of capital. Solvency risk is therefore longer-term focused and may be more qualitative and judgemental, whereas liquidity risk is more short-term focused and quantitatively based.

We are accordingly of the view that the IAASB could provide more guidance on audit considerations and procedures pertaining to solvency risk.

Institute of Chartered Accountants in England and Wales (ICAEW)

Cash flow forecasts: it is common for cash flow forecasts not to be prepared. Entities with no going concern problems may have no need to prepare one. However, some entities fail to prepare them because they lack skills or resources, and/or because preparation may raise questions about the entity's future that management would rather not face, still less subject to audit scrutiny. Appropriate responses to such situations vary. In some cases, sufficient appropriate audit evidence may be available from other sources but in many cases the situation will not be clear cut and auditors will need to use their judgement in determining an appropriate response. Application material might usefully describe these different situations. One practical approach described to us that might be reflected in application material is for auditors to challenge management to engage with them to demonstrate how the organisation 'will not run out of money'.

Events or conditions: where 'events or conditions' are identified, paragraph 16 requires additional procedures such as evaluating the reliability of data supporting cash flow forecasts and determining whether support for assumptions is adequate. These procedures should apply to other data and assumptions used in management's evaluation of going concern, such as data and assumptions underlying the valuation of non-cash assets and other accounting estimates. The application material to paragraph 12 makes only brief references to data and assumptions.

Institute of Directors in South Africa's Audit Committee Forum (IoDSA ACF)

Guidance on audit considerations and procedures pertaining to whether entities should be required to assess their ability to continue operating as a going concern for longer than 12 months and whether auditors should consider the longer timeframe in their assessment should be compiled.

Kriton (KNL)

Guidance in situations where there is no serious uncertainty about continuity, but - in the opinion of the auditor - the information for the users of the financial statements should include the underlying considerations (e.g. the outcome of the evaluation of the consequences of the Corona pandemic).

Clarifying (consequences for the auditor's opinion in the case of) situations in which multiple material uncertainties exist that are significant to the financial statements as a whole. According to the application-oriented texts to Standard 570, 'the auditor may consider it appropriate in extremely rare instances to express a disclaimer of opinion rather than including an Emphasis of Matter paragraph. Standard 705 provides guidance on this issue.' This wording and reference leave a lot of room for interpretation.

South African Institute of Chartered Accountants (SAICA)

Guidance should be provided in ISA 570 on what procedures the auditor can perform on forward-looking information and the link to ISA 540 (Revised), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures, should be made as such forward-looking information requires the use of management judgements and assumptions and a lot of the concepts in ISA 540(R) would also apply in auditing forward-looking information prepared by management in performing the going concern assessment.

ISA 570.A14 states that 'since the degree of uncertainty associated with the outcome of an event or condition increases as the event or condition is further into the future, in considering events or conditions further into the future, the indications of going concern issues need to be significant before the auditor needs to consider taking further action'. The IAASB should consider issuing guidance to clarify how the determination on the significance of the events or conditions could be practically made by the auditors. As the standard stands currently, it is possible for two auditors to reach different conclusions based on the same set of information.

<u>7. Investors and Analysts</u>

Corporate Reporting Users Forum (CRUF)

We would appreciate it if the IAASB could exemplify in the audit practice notes, a case where the period to consider the judgement of going concern needs to exceed 12 months from the end of the reporting period.

<u>8. Academics</u>

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

While paragraphs A3 and A16 guide auditors in terms of events or conditions that may indicate a threat to the entity's continued viability (para. A3) and audit procedures they may consider employing in response to the identification of such events or conditions (para. A16), we believe that there is an opportunity for the IAASB to update this guidance in light of research highlighting factors having a positive and negative impact on assessments of future viability. This could be done by way of changes to the "Application and Other Explanatory Material" or, ideally (in order to facilitate responsiveness to new information and preserve the principles based and framework neutral nature of international standards), "Guidance Statements" issued outside of the standard. We caution, however, that care needs to be exercised to restrict / frame such guidance in terms of evaluating management's assessment rather than extending the assessment beyond that which is required in accounting standards.

Q3a.2 - No\Areas where respondent is opposed to enhanced or more requirements\Q3a.2 - No - General comments of opposition to changes

3. National Audit Standard Setters

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)

No overselling of supposed panaceas

Given the fact that the IAASB (and its predecessor, the IAPC) have previously revised the standards on going concern and fraud a few times since the late 1990's, the IAASB needs to be particularly careful not to leave the impression that any actions it takes will more than just incrementally ameliorate supposed deficiencies in the role of auditors or audit effectiveness with respect to fraud or going concern. Both issues are excruciatingly difficult matters of public policy for which there will never be a "silver bullet" that will satisfy all stakeholders in all respects: it is therefore incumbent upon the IAASB to seek to not "oversell" its ability to resolve these issues and to engage in a frank dialogue with its stakeholders about some of the largely intractable aspects of these issues.

As we note in our comments in the body of the letter, whether auditors should have enhanced or more requirements with regard to the exercise of professional skepticism regarding going concern in an audit of financial statements is a matter that should be explored using an analysis by the IAASB that is evidence-based. In any case, simply increasing the incidence of the use of the term "professional skepticism" in ISA 570 will not serve any useful purpose.

Japanese Institute of Certified Public Accountants (JICPA)

As stated in the comments on question 1, we are aware that in other jurisdictions, there are discussions on whether the audit was properly conducted due to the issues of going concern. On the other hand, we are not aware of any significant issues in Japan that require consideration regarding audit procedures of going concern. Therefore, we do not acknowledge the need to enhance or add requirements in regard to going concern.

Royal Netherlands Institute of Chartered Accountants (NBA)

In our opinion, the requirements for the auditor are sufficient. On the other hand, the requirements for entities should be enhanced. The entities should be required to report always about going concern issues and not only when there is significant doubt on the entity's ability to continue as going concern Entities should clearly state whether there are risks related to going concern in different scenario's and what their expectations are in the forward looking statement in order to inform stakeholders more clearly.

Furthermore, the definition and various aspects of going concern should be clear. It should also become clear which time period the auditor is to consider, preferably twelve months or more after the approval of the financial statements. A difference between short term and longer term (e.g. 3-5 years) going concern might be useful. Aspects of going concern also include sustainability. This depends upon the accounting standards, but auditors should not be hindered by them. Auditors should be able to report independently to stakeholders about going concern issues.

4. Accounting Firms

BDO International Limited (BDO)

We do not believe that additional going concern requirements are necessary although we remain open to consideration of proposed suggestions from the IAASB once engagement with a wider range of stakeholders has taken place.

As the nature of management's going concern assessment is inherently based on future events – the auditor's role can only be limited to performing a review of management's going concern assessment and the assumptions that have been used to form that assessment.

GTI

We note that extant ISA 570 (Revised) only became effective for audits of financial statements for periods ending on or after December 15, 2016 and as such it may be too early to make a determination as to whether additional or enhanced requirements are necessary. We also note that the UK Financial Reporting Council recently revised the UK adaptation of ISA 570 (Revised), which was effective for periods beginning on or after December 15th, 2019. We are of the view that it is important to understand the impact and benefits of these revisions before proceeding with further enhancements or requirements to the international standard on going concern.

We note that one of the key issues in the previous revisions to ISA 570 (Revised) was the limitations imposed by the lack of change in what is required of management in relation to its assessment of the appropriateness of the going concern basis of accounting in the preparation of the financial statements and its consideration of whether a material uncertainty that casts significant doubt on the entities ability to continue as a going concern exists. Given that there has been no subsequent progress in this area, it would appear premature to revisit the auditing standard without first contemplating changes in the requirements of financial reporting frameworks. In this regard, we would recommend that stakeholders encourage the International Accounting Standards Board to consider addressing going concern as part of its current work plan.

HLB International (HLB)

No, we do not believe the auditor should have enhanced or more requirements with regard to going concern in an audit of financial statements. We believe the current standard is sufficient.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAGC)

No, we do not believe the auditor should have enhanced or more requirements with regard to going concern in an audit of financial statements, particularly in the public sector.

US Government Accountability Office (GAO)

In our view, it will be challenging to revise both auditing standards and the auditor's report in a meaningful way to help financial statement users understand auditing standards requirements, thereby closing the expectation gap related to fraud and going concern.

6. Professional Accountancy and Other Professional Organizations

Botswana Institute of Chartered Accountants (BICA)

The current requirements are sufficient. Increasing the auditor's responsibility in relation to going concern will perpetuate the already existing knowledge gap.

New York State Society of CPAs (NYSSCPA)

We think the extant ISA 570 requirements to going concern are adequate and the upgrades made in ISA 315 will provide better focus and evaluation of risk. Additional prescribed (enhanced) procedures for engagements with going concern issues are not necessary as firms can and will expand their audit procedures as deemed necessary based on existing standards.

REA Auditores - Consejo General de Economistas (REA)

No.

The requirements of the 570 (R) standard seem appropriate to us. Current standards, as discussed above, require the auditor to apply professional skepticism in their work and ISA 570 has been applied in Spain since 2013.

The Institute for the Accountancy Profession in Sweden (FAR)

In order to answer this question, it is essential to know if there actually is a problem concerning the auditors work on going concern and if so how big this problem is, or if it there only is a perceived problem because of the expectation gap. To take a position on the issue, an empirical basis is needed. For example a comparison can be made between companies that have ceased their operations due to financial problems and how the latest auditors report issued before the ceasing of operations was designed.

If the auditor should have enhanced or more requirements with regard to going concern in an audit of financial statements a cost benefit analysis should be carried out. What is the expected gain for shareholders and society and what is the expected increased cost for companies?

The IAASB should also allow recent changes to auditing and ethical standards to be implemented and monitored before introducing new procedures.

Wirtschaftspruferkammer (WPK)

The public often considers the audit opinion as a guarantee by the auditor that the audited company is in good conditions and will stay in business for the foreseeable future. However, the auditor's responsibility is to obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern basis in the preparation of the financial statements (ISA 570.16).

Regardless of the requirements in the audit standards, the auditor cannot predict future events or conditions. Assessing a company's ability to continue as a going concern has its inherent limitations as it always involves a level of uncertainty. Consequently, neither does an audit opinion include assurance on the future viability of the audited entity nor does the absence of any reference to going concern uncertainty in an auditor's report create such a guarantee (see question 1. (b) above as to Article 25a of the EU Audit Directive). Therefore, we are convinced that the existing Auditing Standards are sufficient.

We do not believe, that enhanced ISA requirements for planning and performing audits will avoid corporate failures in the future.

Q3a.2 - No\Areas where respondent is opposed to enhanced or more requirements\Q3a.2.10 - No - Professional Skepticism

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB agrees with the IAASB that merely asking auditors to be “more sceptical” is not effective in driving behavioural change. Overall the AUASB do not consider that there needs to be additional procedures around professional scepticism and going concern in ISA 570.

Q3a.2 - No\Areas where respondent is opposed to enhanced or more requirements\Q3a.2.11 - No - Any change that might lessen requirements for the auditor

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

We would not support any proposals that would lessen the expectations or requirements for the auditor in the areas of fraud and going concern in an audit of financial statements.

Q3a.2 - No\Areas where respondent is opposed to enhanced or more requirements\Q3a.2.12 - No - Extended timeline for assessent

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Currently the IAS 1 (Presentation of Financial Statements) requirement on the assessment of going concern provides for a period of more than 12 months. The twelve-month prescribed is a minimum (at least twelve months). Based on this, there is no need for a new requirement.

Financial Reporting Council (FRC)

Following our consultation, we decided against implementing a requirement for the auditor to look at a longer period than that considered by the directors, as it would be using auditing standards to indirectly change legal or current financial reporting framework requirements. However, we do require (para 14-1) that If management's assessment of the entity's ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements as defined in ISA (UK) 560 the auditor shall request management to extend its assessment period to at least twelve months from that date. There are further requirements (para 15-1) if management is unwilling to make or extend its assessment when requested to do so'

Independent Regulatory Board for Auditors (IRBA)

Requiring entities and auditors to assess the ability of an entity to continue as a going concern for a period longer than 12 months.

The IAASB is interested in perspectives on whether entities should be required to assess their ability to continue as a going concern for longer than 12 months; and, therefore, whether auditors should be required to consider this longer period in their assessment, beyond the current required period. If stakeholders believe a longer timeframe should be required, alignment will need to be retained between the requirements under the applicable financial reporting framework and the auditing standards for auditors to be able to adequately perform their procedures.

IAS 1.26 requires management, in assessing whether the going concern assumption is appropriate, to consider all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period.

In addition, the Conceptual Framework for Financial Reporting defines the Going Concern Assumption as "the assumption that the reporting entity is a going concern and will continue in operation for the foreseeable future".

Both management and auditors should therefore, in theory, not be limiting their assessment to 12 months, post the financial year-end, as this is not in line with IFRS.

In South Africa, in addition to IFRS, we need to comply with the following Companies Act requirements (Companies Act, No. 71 of 2008):

Section 129(1): "… the board of a company may resolve that the company voluntarily begin business rescue proceedings and place the company under supervision, if the board has reasonable grounds to believe that – (a) the company is financially distressed; and (b) there appears to be reasonable prospect of rescuing the company."

Section 128(1)(f): "Financially distressed, in reference to a particular company at any particular time, means that – (i) it appears to be reasonably unlikely that the company will be able to pay all of its debts as they become due and payable within the immediately ensuing six months; or (ii) it appears to be reasonably likely that the company will become insolvent within the immediately ensuing six months …"

Practically, the above often results in going concern assessments extending beyond 12 months, post the financial year-end, as concluding the financial reporting process and the audit is delayed by the complexities surrounding the going concern issues, including the practical application of the above legislation.

Therefore, we do not believe that simply extending the minimum assessment period will result in improved going concern assessments. We recommend focusing on qualitative enhancements instead. For example:

Inserting a requirement for management to perform a going concern assessment (in all circumstances, as opposed to only when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern).

The requirement needs to detail the minimum nature and extent of management's assessment, specifically distinguishing between (i) the appropriateness of the going concern basis of preparation assessment (alternatively, the "factual" IFRS assessment); and (ii) the identification of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern assessment. Practically, these are two separate assessments.

The factual IFRS assessment entails an assessment of compliance with the requirements repeated in ISA 570.2: "General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so."

Consequently, management's "assessment" often constitutes a simple factual statement that it does not intend to liquidate and has no creditors threatening to liquidate the company. Therefore, management concludes on that basis that the company is a going concern. Often, there is no formal or detailed assessment of the events or conditions that may jeopardise the going concern assumption of the company.

The assessments being provided to the auditors, as a starting point, are therefore often inadequate.

As such, we propose specifically requiring management to, as part of its assessment of events and conditions that may cast significant doubt on the entity's ability to continue as a going concern, perform a business model and cash flow analysis. The purpose of the business model analysis is to assess whether the company's business purpose is still appropriate, i.e. that it still has long-term value. It also provides the auditor with appropriate insight into how the company generates its value. A business model that does not adapt to changing circumstances could indicate a longer-term going concern risk. The purpose of the cash flow analysis is to ensure that the entity is liquid and thus able to pay debt, as and when it falls due. The period of the required cash flow assessment will differ and depends on the company's cash flow risks.

3. National Audit Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

Time Period for Going Concern Assessments

What our stakeholders told us

A few stakeholders supported extending the time period for going concern assessments, indicating that auditors currently consider longer-term information when obtaining audit evidence on non-current assets and liabilities. However, most stakeholders did not support extending the time period for going concern assessments. Concerns with extending the time period for going concern assessments include:

As the time period for assessing going concern increases, the assessment becomes less meaningful due to the higher level of uncertainty.

The time period for assessing going concern may be impacted by external factors beyond the control of management. For example, many non-profit organizations have a 12-month funding cycle. Management may not have sufficient information to assess going concern beyond the next funding cycle.

Extending the time period for going concern assessment may inadvertently increase the expectation gap as financial statement users may derive unwarranted assurance about the future viability of the entity from the longer-term assessment.

Management has primary responsibility for assessing an entity's ability to continue as a going concern. Accordingly, auditors should not be required to assess a period longer than the period required by the financial reporting framework.

We recognize that the views of the majority of our stakeholders regarding extending the time period for going concern assessments are consistent with the results from a survey on Going Concern from the CFA Institute.

AASB views and recommendation

Consistent with the views expressed by most of our stakeholders, we do not support extending the time period for going concern assessments.

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)

The COVID-19 crisis has shown only too clearly that even an assessment of the ability to continue as a going concern for twelve months may be a very difficult task under certain conditions. Furthermore, the further into the future such assessments are made, the greater the uncertainty as to their veracity. In addition, we believe that calls by some stakeholders to increase the period of assessment beyond twelve months after the balance sheet date are really not about going concern as defined, but rather about the longer term resilience of an entity and the sustainability of its business model. Furthermore, if the period of assessment is increased for auditors, but not for management, it would mean that auditing standards are setting forth requirements for management, which is beyond their remit (note our comment in our response to the perspective under Question 1 (b) about auditing standards being used as the "repair shop" for supposedly deficient accounting standards). Consequently, unless financial reporting frameworks increase the period of assessment beyond twelve months after the balance sheet date (which we believe is unlikely) or include new concepts such as resilience or the sustainability of an entity's business model beyond this, we do not believe that a longer timeframe for going concern is appropriate.

Korean Institute of Certified Public Accountants (KICPA)

(KICPA Comment) It is difficult for auditors to assess an entity's ability to continue as a going concern for longer than twelve months or other concepts of resilience. Given that the liquidity criteria in the extant IFRS are based on a yearly basis, the revision of IFRSs should be made first, then an entity assessing its sustainability as a going concern for more than 12 months, thereby leading up to auditors assessing going concerns for more than 12 months.

To extend the timeframe of going concern assessment, assessments and rationality should be secured along with additional efforts to make reliable assessments, but with no possibility of assuring an entity's sustainability, which would raise a doubt over whether such efforts are worthwhile to make.

4. Accounting Firms

CohnReznick (CR)

Given that major financial reporting frameworks now have a requirement for management to assert regarding going concern, we believe the ISAs should be "framework neutral" and thus the auditor's consideration should align with the financial reporting framework. If the ISAs use a different assessment period than the period indicated by a financial reporting framework, the IAASB will have become a de facto accounting standard setter.

We believe the assessment period should be that of the financial reporting framework. However, when the financial reporting framework has not defined a reasonable period of time, we believe the IAASB should consider AU-C 570 and the concept that the period be set as " within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued, when applicable)."

GTI

We do not believe that it would be appropriate to extend the period for which the assessment of the entity's ability to continue as a going concern is performed. In our view it is not possible for management to make predictions too far in the future; the further away from the balance sheet date or auditor's report date, the less accurate and therefore the less reliable the information. Recent events have only served to reinforce this position, such external factors were beyond an entity's control and most certainly could not have been predicted.

MNP LLP (MNP)

As noted on page 23 of the DP you are interested in perspectives on whether entities should be required to assess their ability to continue as a going concern for longer than twelve months, and therefore whether auditors should be required to consider this longer time period in their assessment, beyond the current required period. If stakeholders believe a longer timeframe should be required, alignment will need to be retained between the requirements under the applicable financial reporting framework and the auditing standards in order for auditors to be able to adequately perform their procedures.

We do not believe auditors should be required to assess the entity's ability to continue as a going concern for a period greater than twelve months. If this were the case, users may increase their expectation that the auditors will guarantee that the entity will survive for a longer period of time, widening the expectation gap. Users already overestimate the level of assurance provided by the auditors. Further, as the time period for assessing an entity's ability to continue as a going concern increases, that assessment becomes less meaningful since the level of uncertainty and unpredictability increases over time. A period in excess of 12 months would require significantly more estimation and judgement, all of which are challenging to audit (i.e., often have little tangible evidence associated) the longer the time period is. Small variations to inputs can have massive overall implications

PricewaterhouseCoopers (PWC)

Should entities be required to assess their ability to continue as a going concern for longer than twelve months and should auditors be required to consider this longer time period?

We believe that if the period is to be reconsidered, changes are needed to management's period of assessment in the first instance. We support the principle established in ISA 570 (Revised) that the auditor covers the same period as that used by management to make its assessment. Auditors cannot consider a period extending beyond that which management is required to consider by the applicable financial report framework because the auditor's assessment involves evaluating management's forecasts and plans for future.

A minimum period of 12 months, as set out in ISA 570 (Revised), seems appropriate given the inherent uncertainties associated with predicting the future. However, we also note that different financial reporting frameworks have different requirements regarding the point at which that 12-month period commences. For example, under IFRS, the period is considered from the end of the reporting period. In circumstances when the financial statements are prepared and an audit is performed significantly after the balance sheet date, this can mean management's assessment may only extend for a few months beyond the date on which the financial statements are approved. As part of the wider discussion with stakeholders across the ecosystem, we believe it would be useful for the IAASB to discuss with financial reporting standard setters whether the 12-month consideration should commence with the date of approval of the financial statements by management and/or those charged with governance.

However, as noted in our contextual observations in response to question 3(a), rather than the time period, what we believe stakeholders are seeking is more insightful information about the future prospects of the business, provided by management with oversight by those charged with governance. That is best achieved through action by securities regulators and others in the corporate reporting ecosystem establishing accountability and reporting frameworks. Simply extending the period of time considered will not achieve those goals.

5. Public Sector Organizations

Australasian Council of Auditors General (ACAG)

The auditor's responsibilities with respect to going concern already pose significant challenges given the need to obtain and audit forecast information to cover the relevant period. Any extension of this period would significantly increase audit risk and therefore necessary audit effort, given the increased uncertainty of forecast information over time. We do not believe this is the responsibility of the auditor. The auditor may not always have sufficient information to assess or support an opinion in relation to an entity's going concern beyond 12 months, due to the inherent limitations of an audit (mentioned above) and how this impacts on the auditor's ability to determine events or conditions beyond 12 months and therefore the entity's going concern status. Auditing assumptions and forecasts of more than twelve months is likely to be inherently risky and unreliable given industry/environmental changes.

The auditor's responsibilities with respect to going concern already pose significant challenges given the need to obtain and audit forecast information to cover the relevant period. Any extension of this period would significantly increase audit risk and therefore necessary audit effort, given the increased uncertainty of forecast information over time. We do not believe this is the responsibility of the auditor. The auditor may not always have sufficient information to assess or support an opinion in relation to an entity's going concern beyond 12 months, due to the inherent limitations of an audit (mentioned above) and how this impacts on the auditor's ability to determine events or conditions beyond 12 months and therefore the entity's going concern status. Auditing assumptions and forecasts of more than twelve months is likely to be inherently risky and unreliable given industry/environmental changes.

6. Professional Accountancy and Other Professional Organizations

Confederation of Indian Industry (CII)

About whether entities should be required to assess their ability to continue as a going concern for longer than 12 months and eventually the auditor should also be so required to extend the period.

We believe that a twelve-month period is appropriate and should not be stretched further. The current requisition of 12 months is a reasonable time period of assessment for both; the management and the auditors. Anything beyond may be difficult due to significant judgements that may be required.

Institute of Singapore Chartered Accountants (ISCA)

We note the discussion in the DP on whether the assessment of going concern should go beyond 12 months. While we understand the rationale, this proposal is not feasible, given the challenges involved in determining a reasonable forecast for such an extended period of time.

As it is, we hear from stakeholders that it is challenging for an entity's management to prepare reasonable forecasts (and for auditors to evaluate appropriateness) for a period of at least 12 months. One key point to consider is the fundamental limitation behind the process of going concern assessments. The conditions existing at the point in time when the assessment was performed may subsequently change and these changes in conditions may result in going concern issues.

We note the discussion in the DP on whether the assessment of going concern should go beyond 12 months. While we understand the rationale, this proposal is not feasible, given the challenges involved in determining a reasonable forecast for such an extended period of time.

As it is, we hear from stakeholders that it is challenging for an entity's management to prepare reasonable forecasts (and for auditors to evaluate appropriateness) for a period of at least 12 months. One key point to consider is the fundamental limitation behind the process of going concern assessments. The conditions existing at the point in time when the assessment was performed may subsequently change and these changes in conditions may result in going concern issues.

From our outreach activities, we find that many stakeholders are cognizant of this fundamental gap and understand that a clean audit opinion should not be seen as an absolute guarantee of going concern. However, when a company gets into financial difficulties shortly after an unmodified opinion was issued with little warning signals, there will be inevitable questions as to why the stakeholders were not warned. As such, more transparency would be helpful as further discussed in the response to Question 3 (c) below.

Q3a.2 - No\Areas where respondent is opposed to enhanced or more requirements\Q3a.2.13 - No - Other concepts of financial health

<u>3. National Audit Standard Setters</u>

Korean Institute of Certified Public Accountants (KICPA)

(KICPA Comment)

(Proposal 1) The concept of resilience is not familiar in Korea, but it is assumed to be the prospect on an entity as to their sustainability for a long term. Going concern is an assumption that is prepared based on financial statements, which means that the period and purpose of going concern differ from those of the review on entity's ability to sustain.

Therefore, when an event or circumstance upon which a significant doubt is casted is identified, the assessments on an entity's resilience that goes beyond the purpose of assessing the management's implementation plan in response to such event or circumstance, is not about the work scope of auditors. Considering this, we are opposed to including the concept of resilience to the ISAs.

(Proposal 2) The management has more information not only on an entity's financial conditions but also on its future strategy plans, which means that the management reporting on the possibility of the entity's sustainability for a long term or making a statement on its payment capacity would be significant from the perspective of information users. Additional information for investment decision-making, however, should be evaluated by and provided to experts, such as analysts, by offering investment-related information, and such information could be shared upon the request of information users, in the entity's annual reports.

(KICPA Comment) It is difficult for auditors to assess an entity's ability to continue as a going concern for longer than twelve months or other concepts of resilience. Given that the liquidity criteria in the extant IFRS are based on a yearly basis, the revision of IFRSs should be made first, then an entity assessing its sustainability as a going concern for more than 12 months, thereby leading up to auditors assessing going concerns for more than 12 months.

To extend the timeframe of going concern assessment, assessments and rationality should be secured along with additional efforts to make reliable assessments, but with no possibility of assuring an entity's sustainability, which would raise a doubt over whether such efforts are worthwhile to make.

4. Accounting Firms

CohnReznick (CR)

Regarding risks and uncertainties to the entity, we note the FASB US GAAP framework has principles-based requirements for disclosure, including ASC 275. We acknowledge other frameworks may not be as robust and encourage the IAASB to consider incorporating elements of ASC 275 into the ISAs. However, this has the effect of the audit standard setter setting accounting requirements.

We caution the IAASB from introducing different layers of assurance regarding "resilience" or "solvency" particularly in terms of noting "material inconsistencies" or providing negative assurance. Such gradations may encourage confusion amongst users and contribute to an increased expectation gap that would not be in the public interest.

Ernst and Young (EY)

With respect to whether the IAASB should explore enhancements to the audit related to an entity's resilience, we hold a similar view that the auditor's responsibilities need to be determined in context of the entity's reporting responsibilities. Because reporting responsibilities vary by jurisdiction (e.g., viability statements, solvency declarations), we do not view broader auditor responsibilities for auditing resilience (beyond the requirements of the applicable financial reporting framework) as within the purview of the IAASB.

5. Public Sector Organizations

Australasian Council of Auditors General (ACAG)

Going concern and other concepts of resilience

We note that these concepts are defined by the relevant jurisdiction's legislation. Alignment of these concepts between different jurisdictions would require considerable effort.

6. Professional Accountancy and Other Professional Organizations

American Institute of Certified Public Accountants (AICPA)

We continue to recognize that it is management's responsibility to assess the entity's ability to continue as a going concern, as established by the applicable financial reporting framework. Furthermore, we have concerns with introducing new terminology, for example "resilience" because new terminology may cause more confusion and potentially increase the expectation gap. A specific concern is understanding what is meant by "resilience" and how it differs from the concept of "going concern."

Q3a.2 - No\Areas where respondent is opposed to enhanced or more requirements\Q3a.2.99 - Only enhance application Material or guidance

3. National Audit Standard Setters

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)

As we note in our comments in the body of the letter, whether auditors should have enhanced or more requirements with regard to going concern in an audit of financial statements is a matter that should be explored using an analysis by the IAASB that is evidence-based. Furthermore, as noted in our responses immediately above, the ambiguities of the meaning of the going concern concepts used in ISA 570 also need to be addressed. We are therefore not convinced that a case has been made that enhanced or more requirements are needed in relation to going concern.

4. Accounting Firms

Deloitte (DTTL).pdf

In the response to Question 1b, specific actions were noted that we believe certain accounting standard setters should undertake to improve the assessment, evaluation, and disclosure of going concern issues. In relation to the IAASB, DTTL does not believe that enhanced or additional requirements for the auditor are needed. Rather, that the most helpful changes can be affected through implementation guidance for auditors which may prove useful in reducing the expectation gap. For example, staff implementation guidance or audit practice alerts which:

Focus on how to understand management's processes and controls to assess going concern, including the information used in the development of any projections or forecasts, and provide examples of "what good looks like."

Demonstrate how audit procedures already required by auditing standards other than ISA 570 may assist in the identification of conditions or events which may give rise to significant doubt.

Illustrate an auditor's possible decision process via a flowchart: consideration of the existence of conditions or events, determination of whether those conditions or events may raise significant doubt, identification of whether management has plans to alleviate the significant doubt, consideration of whether management's plans are probable of being effectively implemented, evaluation of whether management's plans would mitigate the conditions or events, and determination of whether disclosures necessary are sufficient. See examples in Australia Standards on Auditing 570 and in US GAAP (see FASB ASC 205-40-55-1).

Provide examples of procedures that may be performed when there is indication of a material uncertainty.

Highlight the importance of professional skepticism when evaluating management's plans to alleviate significant doubt by providing examples of (1) how to challenge management's assessment and plans (when relevant), (2) situations when increased professional skepticism may be warranted, (3) how to assess alternative/plausible future scenarios, and (4) how to evaluate whether implementation of management's plans is "probable" (for example, if the plans rely on third-party actions which management cannot control, implementation is likely not probable).

Provide examples of significant findings from the audit related to going concern which are required to be communicated to TCWG (i.e., qualitative aspects of the entity's accounting practices, financial statement disclosures, significant difficulties encountered during the audit like management's unwillingness to extend the period of its assessment of the entity's ability to continue as a going concern, circumstances that affect the content of the auditor's report, significant events or transactions, and business conditions)

PricewaterhouseCoopers (PWC)

While we do not believe there is a need for changes to requirements of the respective ISAs, updates to application material or the development of supplementary non-authoritative guidance outside the standard could helpfully clarify areas of inconsistent interpretation, better reflect the evolving business environment, or further underscore the appropriate exercise of professional scepticism.

5. Public Sector Organizations

Auditor General of South Africa (AGSA)

Understanding of the concept of material uncertainty may be improved through providing examples of uncertainties identified on a continuous basis. In addition, virtual workshops where application of the theory is discussed and experiences are shared could be considered.

Australasian Council of Auditors General (ACAG)

Extending going concern procedures beyond management's time period

Where material uncertainty exists over going concern and there are indicators that the entity's going concern issues are likely to extend beyond 12 months, the auditor could consider the longer time period in their assessment. Guidance will be needed to identify the conditions that would cause the auditor to extend procedures into a longer period.

6. Professional Accountancy and Other Professional Organizations

Confederation of Indian Industry (CII)

We do not consider a need to have enhanced or additional requirements with regards to going concern in an audit of financial statements. We believe that the most helpful changes can be affected through implementation guidance for auditors for areas such as how procedures already required by auditing standards other than ISA 570, Going Concern, may assist in the identification of conditions or events which may give rise to significant doubt about going concern assumption.

About what more is needed to narrow the knowledge gap with regards to the meaning of material uncertainty related to going concern to enable more consistent interpretation of the concept.

Going back to the main suggestion that specific guidelines would be of great assistance; we consider that if certain instances are chosen and explained in the guidance the knowledge gap would tend to reduce. According to us the gap arises because the strict versus not-so stringent interpretation of a similar factual situation. Example - in a case where a client has defaulted on its loan covenants and this is one of the material defaults and later either the client or the holding company thereof has obtained a waiver from the bankers for the same; whether this aspect should be interpreted as being acceptable from an overall going concern consideration with an appropriate disclosure in the financial statements or would there be a matter of emphasis paragraph in the audit report. So; relevant guidance along with a flowchart depicting various questions and/or situations for interpretation and analysis would be helpful.

Mexican Institute of Public Accountants (IMCP)

It is not necessary to increase the going concern audit requirements. However, it is necessary to issue more detailed guidance regarding the audit procedures that can be execute and the evidence expected in evaluating management's action plans and projections, particularly for entities with conditions such as long-term debt of significant amounts, or whose income depends on the price of commodities and that can be affected by negative fluctuations in market prices.

9. Individuals and Others

Christian Minarriz (CM)

I think that the requirements should not be expanded but clarified through additional application guidance, especially regarding the required work to evaluate the feasibility of management plans, the work to be done regarding assumptions for cash flow projections (and if ISA 540 also applies) and how to evaluate if there is “material uncertainty” or just a “close call”.

Q3a.3 - Mixed response, or more evidence needed\Q3a.3.06 - Mixed Response - Definition of Material Uncertainty

4. Accounting Firms

PricewaterhouseCoopers (PWC)

Whether more is needed to narrow the knowledge gap with regard to the meaning of ‘material uncertainty”?

Related to our contextual observations in response to question 3(a), a common area of feedback we hear (and an area to be explored in the AR PIR) is that the concept of a “material uncertainty” is not well understood. That view arises primarily from:

Challenges relating to the knowledge gap, due to a lack of a sufficiently clear definition and/or criteria for determining when a “material uncertainty” exists in applicable financial reporting frameworks, leading to inconsistent application and disclosure;

A lack of specificity in current financial reporting requirements with respect to disclosures of material uncertainties expected to be made by management, resulting in disclosures that may not have sufficient detail. Significant judgements made when concluding that a material uncertainty does not exist may also not be well-disclosed; and

The nature of such disclosures, and the matters they describe, often being “stale” by the time they are reported.

Trying to better explain the term itself is not, in our view, going to significantly address the challenges around material uncertainties and how they contribute to the expectation gap. Likewise, aligning the use of different terminology across financial reporting frameworks (material uncertainty/significant doubt/substantial doubt) is also unlikely to narrow the expectation gap. Instead, we believe that greater transparency in management disclosures about matters related to longer term viability and future prospects would provide more timely and relevant information to users about the entity’s financial condition, and would allow users of financial statements to apply their own judgement in making decisions based on that more relevant and useful information.

Q3a.3 - Mixed response, or more evidence needed\Q3a.3.10 - Mixed response - Professional skepticism

3. National Audit Standard Setters

Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)

As we note in our comments in the body of the letter, whether auditors should have enhanced or more requirements with regard to the exercise of professional skepticism regarding going concern in an audit of financial statements is a matter that should be explored using an analysis by the IAASB that is evidence-based. In any case, simply increasing the incidence of the use of the term "professional skepticism" in ISA 570 will not serve any useful purpose.

8. Academics

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

Research also highlights several factors that may impact the quality of auditor judgments relating to going concern. For example, Kim and Harding (2017) show that the interpretation of evidence relevant to going concern judgments is influenced by the views and perceived expertise of auditors' superiors, and Lambert and Peytcheva (2020) show that auditors may sub-optimally integrate different going concern evidence items. Like other judgments, those relating to going concern are influenced by numerous heuristics and biases (see Bonner 2008), and research in other areas of the audit function (in particular areas with a future orientation such as opining on management's estimates) is likely to influence the veracity with which auditors employ indicators of distress.

Q3a.3 - Mixed response, or more evidence needed\Q3a.3.12 - Mixed response - Timeline for assessment

1. Monitoring Group

International Organization of Securities Commissions (IOSCO)

In addition to transparency within auditor reports, questions for the IAASB to consider with regard to the going concern assessment include: Should the time horizon over which the going concern assessment is made be lengthened, either in all cases or if certain conditions exist (e.g., significant debt facilities coming due in the medium term)? To what degree should the audit requirements align with the accounting and disclosure requirements?

4. Accounting Firms

BDO International Limited (BDO)

As part of our internal discussions regarding the IAASB's Discussion Paper, we considered a range of options including whether a longer period (for example 18 or 24 months) for the period of management's consideration of going concern would help reduce the expectation gap. Although we heard a range of views, the majority indicated that:

A potentially longer timeframe may be less useful for users of financial statements especially given the increased uncertainty or potential risk of out of the ordinary events, exemplified by an event such as COVID-19. This could potentially increase the expectation gap and weaken the information provided by the auditor (i.e., management and auditor assessments of going concern would inevitably become increasingly vague the further out the assessment is made).

Irrespective of the timeframe, it was much more important to have more consistency between jurisdictions about the length of the period of assessment in order aid understanding, application and comparability within group audit and transnational situations.

There should also be more consistency in applicable financial reporting frameworks about adjusting or non-adjusting events and to have greater clarity about the starting point of any assessment (such as financial year-end date, financial statements approval date, auditor's date of sign off).

One option could be to require that auditors bring forward the timing of their going concern assessment within the audit process as there is a tendency to perform these procedures towards the end of the engagement when other priorities may take precedence. By positioning going concern as more of a planning phase activity, there was a view that this may:

Heighten engagement team awareness of risks affecting the entity at an earlier stage of the engagement

Make the going concern assessment more of a priority for management, and

Lead to increased vigilance of contradictory information/IPE relating to going concern matters during the course of the engagement.

SRA

It could be considered whether the twelve months period after the end of the book year could be changed to a twelve months period after the date of the financial statements. The consequences of such a change should be carefully investigated. Such a change would require, that reliable information is gathered by the entity and reviewed by its auditor regarding the financial status per the date of issuance of the financial statements and regarding prognosis for the twelve months period thereafter. In deciding to implement such a change no doubt the relevant accounting standards should be taken into consideration. In principle the auditing approach should follow the required accounting approach. The relevant change may also require providing additional information in the notes to the financial statements.

It could be considered whether the twelve months period after the end of the book year could be changed to a twelve months period after the date of the financial statements. The consequences of such a change should be carefully investigated. Such a change would require, that reliable information is gathered by the entity and reviewed by its auditor regarding the financial status per the date of issuance of the financial statements and regarding prognosis for the twelve months period thereafter. In deciding to implement such a change no doubt the relevant accounting standards should be taken into consideration. In principle the auditing approach should follow the required accounting approach. The relevant change may also require providing additional information in the notes to the financial statements.

<u>6. Professional Accountancy and Other Professional Organizations</u>

Accountancy Europe (AE)

Assessment for longer than 12 months

Some stakeholders suggest that entities should include more details in their annual report on the going concern assumptions and on the key business risks that impact the business viability in a longer term, i.e. from 12 months - as currently required - to 24 months or more (depending on the industry or the financing of the entity). Such timeframe would require changes in the accounting standards and could be more useful to stakeholders. In any case, the period of the auditor's assessment should be consistent with the period of assessment by management.

Nevertheless, it is important to note that the further into the future management or the auditor look, the less reliable the assumptions and estimates will be. Also, today's fast pace of change seems to make this even worse than in the past. The issue may be more about the fact that stakeholders now need broader information, including environmental, social and governance information in order to assess the entity's resilience.

Q3a.3 - Mixed response, or more evidence needed\Q3a.3.13 - Mixed response - Other concepts of financial health

<u>3. National Audit Standard Setters</u>

Canadian Auditing and Assurance Standards Board (AASB)

Going Concern and Other Concepts of Resilience

What our stakeholders told us

Many of our stakeholders were interested in the IAASB's exploration of this area. However, some stakeholders expressed hesitancy over moving away from the concept of going concern to resiliency concepts until there is greater clarity about these concepts.

Stakeholders from the legislative auditor community indicated that public sector accounting standards and non-authoritative guidance in some jurisdictions already deal with financial conditions that involve certain resiliency concepts. For example, the Canadian Public Sector Accounting Board's Statement of Recommended Practice (SORP) 4 includes descriptions of elements indicating an entity's financial condition such as flexibility, sustainability, and vulnerability.

AASB views and recommendation

We support an initiative to explore whether resiliency concepts other than going concern might be useful to financial statements users. Such an initiative should include collaboration with the IASB and other accounting standard setters as well as other parties in the financial reporting ecosystem such as regulators. If a regime to report resiliency information is developed, the IAASB could provide input on whether the information is verifiable so that auditors can provide assurance on it.

New Zealand Auditing and Assurance Standards Board (NZAuASB).pdf

The NZAuASB is particularly interested in the Brydon report recommendations in the UK relating to resilience reporting to connect the dots with the director's responsibilities. The NZAuASB considers that in terms of addressing the evolution gap, users want both information and reassurance about the resilience of an entity, which is often confused with going concern. The whole ecosystem has a role to play in exploring the extent to which information about resilience can and should be reported and assured. A cost/benefit analysis is required to ensure that any demands for information and reassurance about an entity's resilience can realistically be met. The NZAuASB has also observed comments that there appear to be fewer issues relating to going concern in jurisdictions where there is a strong emphasis on director's responsibilities.

<u>4. Accounting Firms</u>

Mazars (MAZ)

On the concept of resilience, the statement of solvency indicating the company can pay all debts as and when they become due and payable (existing in Australia as mentioned in the paper) can be a useful practice and subject to reporting from the auditor. In the UK, the reporting on the entity's longer-term viability is subject to procedures performed by the auditor which result in a "requirement to report in the auditor's report whether there is anything material to add or draw attention to in respect of management's assessment." We believe it would be helpful to have a post-implementation review in those two countries to see if those two measures enable the auditor to target the objective of preventing corporate failures.

PricewaterhouseCoopers (PWC)

Clear responsibilities and reporting regimes with respect to going concern and longer term viability/resilience are typically determined at a jurisdictional level, and result in disclosures that complement management's going concern assessment (such as those addressing risk factors, liquidity risk, financing plans, contractual obligations, and forecasts). Consequently, any additional auditor obligations, such as those in the UK, likely need to also be addressed at the jurisdictional level, as they complement the responsibilities and disclosures of management and those charged with governance. However, the IAASB could be the catalyst for debate and take a lead in driving forward such reforms.

5. Public Sector Organizations

Australasian Council of Auditors General (ACAG)

Is it necessary to have different concepts of going concern and resilience?

Different concepts would require clear definitions so that users of financial statements understand their meaning and how they apply to their circumstances

6. Professional Accountancy and Other Professional Organizations

Accountancy Europe (AE)

Concept of resilience

Considering the stakeholders' need for broader information and the fact that large PIEs become more systemic and of greater public interest, sustainability reporting and its link to the resilience of an entity could be an area that the IAASB should monitor and consider developing separate assurance standards in the future on.

Center for Audit Quality (CAQ)

If enhancements to financial reporting are pursued by the IASB and others, a more fulsome dialogue could follow in relation to how the auditor's responsibilities may need to change. Discussion topics could include whether the extent of additional audit procedures required would need to change if management presents additional disclosures or assertions outside of the financial statements about an entity's solvency or viability, including whether these would be the subject of a separate assurance engagement.

Chartered Accountants Australia and NZ and ACCA - Joint (CAANZ-ACCA)

Changes needed with regard to going concern and other concepts of resilience

The feedback received suggests that this is an area worth exploring further as it relates more to the expectations and needs of users i.e. whether a business is viable. For example, in the UK certain companies are required to issue a viability statement with auditors performing certain audit procedures on the statement to identify if there are inconsistencies based on their knowledge acquired during the audit as mentioned in the DP. The Brydon's report includes recommendations building on going concern and the existing viability statements in the UK, which could be a starting point for the IAASB to explore. Furthermore, the guidance on EER reporting may assist in helping entities further enhance their reporting on these matters and assurance can be added where appropriate.

<u>8. Academics</u>

Auditing Standards Committee of the Auditing Section of the American Accounting Association (ASC)

An extensive body of research reports a range of client, auditor, and environmental factors that impact an auditor's decision to report on going concern uncertainties (see Carson et al. 2013 and Geiger et al. 2019). Research finds that auditor inclination to report on material uncertainty is associated with, for example, indicators of financial distress (e.g., Lennox and Kausar 2017), management plans and expectations (e.g., Bruynseels, Knechel, and Willekens 2013; Feng and Li 2014; Chen, Eshleman, and Soileau 2017), and quality of internal controls (e.g., Hammersley, Myers, and Zhou 2012).

While it is comforting that auditors appear to be sensitive to indicators of distress when making going concern judgments, the effectiveness with which these factors are used and whether there are other useful predictors of distress have also been the focus of research attention. Research has developed and tested models to assist auditors when assessing an entity's viability (e.g., Koh 1991; Hsu and Lee 2020), and other studies find associations between new variables and future viability, for example, social media sentiment (Condie and Moon 2020).

Q3a.3 - Mixed response, or more evidence needed\Q3a.3.98 - Mixed response - Other

<u>1. Monitoring Group</u>

Basel Committee on Banking Supervision (BCBS)

Many banks are subject to stress testing requirements. While the Committee is not suggesting that it would be appropriate to introduce requirements for "stress testing" for all entities, we note that the discipline of examining different scenarios and their potential effect on an entity may be useful to management and auditors and, when disclosed, to users in considering going concern and viability. This is a topic the IAASB may wish to consider further.

<u>9. Individuals and Others</u>

Alvaro Fonseca Vivas (AFV)

It is important to follow up with the auditor in the improvement of his performance and if it is recurrent to review the requirements in this regard to the going concern in an audit of financial statements and in my opinion to all areas because all are susceptible to fraud or in the areas critical, weak, which is where it will give the results of the evaluation and analysis of the risk matrices.

Q3a.4 - No comment

<u>1. Monitoring Group</u>

Basel Committee on Banking Supervision (BCBS)

International Forum of Independent Audit Regulators (IFIAR)

<u>2. Regulators and Audit Oversight Authorities</u>

Botswana Accountancy Oversight Authority (BAOA)

Canadian Securities Administrators (CSA)

5. Public Sector Organizations

New Zealand Auditor General (NZAG)

6. Professional Accountancy and Other Professional Organizations

Belgian Institute of Registered Auditors (IBR-IRE)

Belgian National Chapter of Transparency International (BNCTI)

European Audit Committee Leadership Network (EACLN)

Inter-American Accounting Association (IAA).pdf

International Air Transport Association (IATA)

PIRC

9. Individuals and Others

Ahmed Al-Qawasmi (AAQ)

Constantine Cotsilinis (CC)

Dmitrii Timofeev (DT)

Michael Bradbury (MB)

The Unlimited (TU)