

### Question 3(b) – Is there a need for enhanced procedures only for certain entities or only in specific circumstances

- 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?

**Q3b.1 - Yes\3bi. If yes, for what types of entities or in what circumstances\Q3bi - 1. Entities deemed to be high risk**

#### **6. Professional Accountancy and Other Professional Organizations**

##### **CFO Forum**

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

Yes, we do believe that there is a need for enhanced procedures for certain entities or in specific circumstances.

If yes:

For what type of entities or in what circumstances?

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

What enhancements are needed?

The going concern assessment should be extended beyond the 12 months horizon when required based on relevant risk triggers. This will require additional solvency risk procedures to be performed.

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

We are of the view that changes should be made within the scope of an audit. It is unlikely that entities will be willing to pay for a separate engagement on going concern if it is not required based on guidelines and/or the audit team's risk assessment, especially if management is of the view that their going concern assessment is appropriate and adequate. The high-profile corporate failures that have recently occurred in South Africa have highlighted the need for auditors to better consider and address fraud and going concern in their audits. The CFO Forum is therefore in favour of incorporating these changes within the ISA's.

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

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

These changes will result in additional required procedures and have a direct effect on the cost of the audit. For this reason, paired with the need to ensure consistency between audits, we believe it should be within the scope of the audit.

Yes, the need for enhanced procedures for certain entities or in specific circumstances is evident.

If yes:

For what type of entities or in what circumstances?

The risk of the entity needs to be addressed, both the audit and business risks. Higher-risk entities together with listed and regulated entities (public interest entities) should include a level of enhanced minimum procedures.

What enhancements are needed?

Our recommendations in this regard are set out above.

#### **Q3b.1 - Yes\3bi. If yes, for what types of entities or in what circumstances\Q3bi - 2. Listed and other public entities**

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

##### **Crowe (CG)**

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

We consider that the need for enhanced procedures ought to be directed to certain entities.

(i) For what types of entities or in what circumstances?

Enhanced procedures are most needed for the audits of listed entities and other public interest entities because of the greater number of stakeholders and higher public profile.

(ii) What enhancements are needed?

Enhancements should particularly concern the period of assessment of going concern and expectations regarding the information about going concern that is made available to auditors.

(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.

These changes ought to be made within ISAs, as the discussion ought to focus on enhancing the delivery of financial statement audit. Other forms of engagement are a different conversation.

Enhanced procedures are most needed for the audits of listed entities and other public interest entities because of the greater number of stakeholders and higher public profile.

## **5. Public Sector Organizations**

### **Auditor General of South Africa (AGSA)**

(i) Enhanced procedures should only be considered for public interest entities.

a) We do not consider it necessary for all auditors in general to have enhanced or more requirements with regard to going concern in an audit of financial statements.

b) Enhanced procedures may however be considered for specific entities only and related to specific circumstances:

(i) Enhanced procedures should only be considered for public interest entities.

(ii) Enhancements could be made with regards to the auditor's procedures on specific transactions that have a significant impact on going concern such as revenue recognition, asset valuations and recognition of obligations. Specific procedures could also be considered to confirm that the entity is honouring their obligations which are required for them to remain a going concern, such as the settlement of employee benefit and environmental obligations. These changes could be made within the ISAs.

## **6. Professional Accountancy and Other Professional Organizations**

### **CFO Forum**

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

Yes, we do believe that there is a need for enhanced procedures for certain entities or in specific circumstances.

If yes:

For what type of entities or in what circumstances?

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

What enhancements are needed?

The going concern assessment should be extended beyond the 12 months horizon when required based on relevant risk triggers. This will require additional solvency risk procedures to be performed.

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

We are of the view that changes should be made within the scope of an audit. It is unlikely that entities will be willing to pay for a separate engagement on going concern if it is not required based on guidelines and/or the audit team's risk assessment, especially if management is of the view that their going concern assessment is appropriate and adequate. The high-profile corporate failures that have recently occurred in South Africa have highlighted the need for auditors to better consider and address fraud and going concern in their audits. The CFO Forum is therefore in favour of incorporating these changes within the ISA's.

### **Confederation of Indian Industry (CII)**

These changes are recommended to be outside the ISA and included in the specific listing regulations or legislations which will carry more emphasis. Including these requirements as part of other regulatory requirements will help to mandate the compliance by the relevant parties.

We can consider the procedures on a cost-benefit analysis. Since the impact of audit failures is always higher for public listed entities, the committee could consider certain enhancements on the requirements for such entities.

Examples of enhanced procedures

Assessing the availability of debt financing and the entity's capacity to borrow. Reviewing current loans, credit or other agreements for provision or covenants which may restrict the entity's ability to borrow additional funds or restructure its debt.

Assessing the impact of new financing on the operations and timings of cash flow.

Considering the impact of terms associated with new capital

Assessing marketability of assets that management plans to sell

Reviewing management forecasts such as cash flow or profit

Reviewing latest interim financial statements

Requesting information from the entities legal counsel of any ongoing issues, the expected outcome and impact on the entity.

Running Altman Z Score Analysis

Auditors are also engaged to carry out compilation, review, and similar other attestations. These changes can be added as a special performance engagement narrative in ISA for example: A third party opinion on going concern of the target acquiree or borrower.

For the kind of enhancements, additional corporate finance or restructuring specialists could be used to do a finance health assessment of the company.

### **Federacion Argentina de Consejos Profesionales de Ciencias (FACP)**

(b) Is there a need for enhanced procedures only for certain entities or in specific circumstances?1 If yes:

Yes

(i) For what types of entities or in what circumstances?

For listed companies and those that according to the laws of each jurisdiction are defined as being of public interest.

(ii) What enhancements are needed?

They must be interpreted in the context of the information ecosystem.

None of the components of the ecosystem solves the issues by itself.

Although professional standards cannot establish obligations for the audited entity, it would be convenient for the corresponding bodies to achieve that issuers and corporate governance bodies issue specific and more precise statements, in addition to financial information, such as statements on : resilience, criteria applied for risk assessment and internal control systems applied to fraud and / or continuity, planning and actions of the audit committee.

The auditing standards should contemplate the auditor's evaluation of the correspondence of the statements described in the previous paragraph based on the audit evidence obtained during the performance of the procedures.

(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.

As emerges from the previous paragraph, although the ISAs contain adequate tools for this purpose, it should be complemented with greater specificity in that framework, we consider that the modifications are necessary within the ISAs,

For listed companies and those that according to the laws of each jurisdiction are defined as being of public interest.

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

Response 3(b)

Whilst there should be a focus on the audits of public interest entities it is likely that at least some of any proposed enhancements to ISA 570 would be scalable.

In the shorter-term we believe that such enhancements could focus on similar areas to those of the UK FRC in its 2019 revised ISA (UK) 570.

We believe that the focus of any such changes on going concern should be within the ISAs.

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

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

These changes will result in additional required procedures and have a direct effect on the cost of the audit. For this reason, paired with the need to ensure consistency between audits, we believe it should be within the scope of the audit.

Yes, the need for enhanced procedures for certain entities or in specific circumstances is evident.

If yes:

For what type of entities or in what circumstances?

The risk of the entity needs to be addressed, both the audit and business risks. Higher-risk entities together with listed and regulated entities (public interest entities) should include a level of enhanced minimum procedures.

What enhancements are needed?

Our recommendations in this regard are set out above.

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

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

For what types of entities or in what circumstances?

While we believe that enhancements to all audits would be beneficial, it is our view that at the very least, enhancements be mandatory for listed and public interest entities.

What enhancements are needed?

The Japanese examples in regards to enhanced quality control review procedures related to fraud, i.e. that an engagement quality control review be conducted at appropriate stages during the audit, such as when significant judgments are made and conclusions reached to address the risks of fraud, in compliance with the policies and procedures of the audit firm as well as an explicit requirement that when the auditor determines that a suspicion of material misstatement due to fraud exists, the auditor not express an opinion until the engagement quality control review procedures in regard to the auditor's response to that suspicion have been completed, are commendable and should be strongly considered by the IAASB. PAFA further supports, the requirement that firms establish policies and procedures that explicitly address the risks of fraud in the elements of the quality control system (i.e., leadership responsibilities for quality within the firm, acceptance and continuance of client relationships and audit engagements, human resources, engagement performance, and monitoring).

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

The above proposed changes do and should fall within the ambit of the ISAs. For the avoidance of doubt, any other enhancements deemed necessary should also fall within the scope of the ISAs as a way of enhancing their credibility and removing any misconception that these may be "optional" as might be the case if provided elsewhere.

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

The IAASB, together with other relevant bodies, should explore the development a framework for such resilience/ viability measures, for reporting on by the entity and assurance by the auditor. Such reporting should be required, specifically for public interest entities and a framework of internal controls would need to be developed to assess the effectiveness of an entity's process over going concern, as well as the compliance with the framework. ISAE 3000(Revised) could be used by practitioners to provide assurance over such information.

**The Institute for the Accountancy Profession in Sweden (FAR)**

If a problem can be identified referring to the answer in question 3 a we believe that there can be a need, but only in specific circumstances.

If yes:

For what types of entities or in what circumstances?

In contrast to fraud we believe enhanced procedures can be needed in specific circumstances regarding going concern. Rather than to focus on certain entities the focus should be on specific circumstances. The level on requirements on disclosures and the audit of these disclosures varies depending on the category of the company. It is likely that the need is higher for public interest entities than for small or less complex entities.

What enhancements are needed?

The circumstances mentioned in 3 b i can take a starting point in certain measures that indicate uncertainty in going concern and risk that material uncertainty exists. Such measures could be stated in ISA 570. Application material can be designed to help auditors' in their risk assessment and more examples concerning different scenarios relating to going concern issues would also be helpful.

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

To the extent the changes made concerns the audit of financial statements, they should be made within the ISAs but as stated in 3 b i these procedures should only concern specific circumstances.

The IAASB could issue staff practice alerts to support auditors (e.g., demonstrate how audit 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, illustrate an auditor's evaluation process via a decision tree, highlight the importance of professional scepticism when evaluating the management's plans to alleviate significant doubt).

**Q3b.1 - Yes3bi. If yes, for what types of entities or in what circumstancesQ3bi - 3. Regulated entities**

## **6. Professional Accountancy and Other Professional Organizations**

### **CFO Forum**

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

Yes, we do believe that there is a need for enhanced procedures for certain entities or in specific circumstances.

If yes:

For what type of entities or in what circumstances?

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

What enhancements are needed?

The going concern assessment should be extended beyond the 12 months horizon when required based on relevant risk triggers. This will require additional solvency risk procedures to be performed.

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

We are of the view that changes should be made within the scope of an audit. It is unlikely that entities will be willing to pay for a separate engagement on going concern if it is not required based on guidelines and/or the audit team's risk assessment, especially if management is of the view that their going concern assessment is appropriate and adequate. The high-profile corporate failures that have recently occurred in South Africa have highlighted the need for auditors to better consider and address fraud and going concern in their audits. The CFO Forum is therefore in favour of incorporating these changes within the ISA's.

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

Yes, the need for enhanced procedures for certain entities or in specific circumstances is evident.

If yes:

For what type of entities or in what circumstances?

The risk of the entity needs to be addressed, both the audit and business risks. Higher-risk entities together with listed and regulated entities (public interest entities) should include a level of enhanced minimum procedures.

What enhancements are needed?

Our recommendations in this regard are set out above.

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

These changes will result in additional required procedures and have a direct effect on the cost of the audit. For this reason, paired with the need to ensure consistency between audits, we believe it should be within the scope of the audit.

**Q3b.1 - Yes\3bi. If yes, for what types of entities or in what circumstances\Q3bi - 4. Where there are events that cause significant doubt about the entity's ability to continue as a going concern**

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

### **Committee of European Auditing Oversight Bodies (CEAOB)**

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.

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.

## **6. Professional Accountancy and Other Professional Organizations**

### **CFO Forum**

Yes, we do believe that there is a need for enhanced procedures for certain entities or in specific circumstances.

If yes:

For what type of entities or in what circumstances?

Enhanced procedures should apply to listed entities, regulated entities, high-risk entities and entities that have indicators of going concern uncertainty (for example, entities that are in a loss-making and/or in a net liability position).

What enhancements are needed?

The going concern assessment should be extended beyond the 12 months horizon when required based on relevant risk triggers. This will require additional solvency risk procedures to be performed.

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

We are of the view that changes should be made within the scope of an audit. It is unlikely that entities will be willing to pay for a separate engagement on going concern if it is not required based on guidelines and/or the audit team's risk assessment, especially if management is of the view that their going concern assessment is appropriate and adequate. The high-profile corporate failures that have recently occurred in South Africa have highlighted the need for auditors to better consider and address fraud and going concern in their audits. The CFO Forum is therefore in favour of incorporating these changes within the ISA's.

**Q3b.1 - Yes\3bi. If yes, for what types of entities or in what circumstances\Q3bi - 5. Other**

**1. Monitoring Group**

**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.

**2. Regulators and Audit Oversight Authorities**

**National Association of State Boards of Accountancy (NASBA)**

Similar to fraud, NASBA believes that increased risk should determine the need for enhanced procedures related to management's going concern assessment. Going concern risks exist in organizations of all sizes and may result in serious consequences to stakeholders in organizations both large and small. Auditors should perform a robust risk assessment when performing financial statement audits of organizations of every size. When risk surpasses a certain threshold, the auditor should apply enhanced procedures, such as incorporating specialist help.

**4. Accounting Firms**

**MHA Macintyre Hudson (MHA)**

We believe that greater clarity should be provided in accounting and auditing standards when management is required to produce a detailed assessment of going concern; should this always be required? (e.g. for a cash rich, profitable company with secure revenues). Guidance on criteria indicating the need for a detailed assessment would enable auditors to require management to produce an assessment where this has not been forthcoming.

Greater clarity on the additional procedures required when events or conditions are identified, including the requirements around challenge of management (see earlier comments) on aspects such as cash flows, valuation of assets and other estimates which impact going concern.

The LCE working party should address clear guidance and requirements for Less Complex Entities.

## **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.<sup>4</sup> Rather, for the consolidated financial report of the U.S. government, FASAB requires fiscal sustainability reporting.<sup>5</sup> 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.<sup>6</sup> 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**

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

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

Yes.

For what types of entities or in what circumstances?

If the business cycle of the entity is longer than twelve months, the going concern assessment should be extended the cover of period.

What enhancements are needed?

If the business cycle of the entity is longer than twelve months, the going concern assessment should be extended the cover than period. Disclosures should provide sufficient information regarding the business cycle of the entity and all the relevant assumptions for business continuity.

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

These changes should be made within the ISAs

### **Q3b.2 - No**

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

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

Enhanced procedures should apply to all entities as part of an audit.

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

In our view, enhanced or more requirements regarding going concern in an audit of financial statements are required for all entities and in all circumstances; however, the extent of additional requirements should ultimately be driven by risk. In other words, the current standard requirements that apply to all audits should be enhanced or elaborated. In addition, the auditor will need to assess the specific circumstances of the engagement to determine the nature, timing and extent of additional procedures to apply, to be responsive to the risk in accordance with the principles of ISA 330.6.

We do not believe that the proposed enhancements should be restricted to certain entities or certain circumstances. That is because the basic principles that underpin going concern are the same for all entities.

## **3. National Audit Standard Setters**

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

The AUASB believe that responsibilities and procedures in relation to going concern should be consistent for audits of all entities. The going concern basis of accounting is a fundamental concept in the preparation of the financial statements and this does not differ or become more or less important depending on the type of entity.

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

Consistent with our response in Question 2, we believe the aforementioned enhanced procedures should be applied to all entities and the change should be made within the ISAs.

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

The NZAuASB is not supportive of distinguishing requirements within the auditing standards based on the type of entity. We consider such an approach would run the risk of widening the expectation gap even further.

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

Enhanced procedures when there are going concern issues will help auditors when there is a grey area e.g. when management and the auditor have different views about the outlook and underlying assumptions of the entity and/or the financial impact of uncertain events and conditions. Now the focus is only on when there is significant doubt on the entity's ability to continue as a going concern, while in many cases it is not binary. Especially now with Covid-19, going concern issues are relevant but should not become boilerplate texts. Furthermore, auditors should pay attention to going concern in all phases of the audit and not only at the end of the audit whereby it should be noted that de-pending upon the circumstance the depth of the focus will differ in the various phases. This is not something that should be changed in the ISAs, but something that should be done in practice.

## **4. Accounting Firms**

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

We do not support enhanced procedures for certain types of entities although we do support a flexible approach that enables auditors to increase going concern work in response to changes in facts and circumstances as exemplified by the recent response by auditors and others to COVID-19 impacts. In our

view, users of financial statements are also potentially well-served by the addition of the material uncertainty related to going concern paragraph in the auditor's report.

**CohnReznick (CR)**

We do not believe there is a need for enhanced procedures only for certain entities or in specific circumstances. Instead, we believe the ISAs should continue to be drafted in a scalable manner.

**Deloitte (DTTL).pdf**

In respect of the fundamental concept of going concern, there should be no difference in the accounting standards or auditing procedures required for certain entities (for example, listed vs. non-listed). However, reporting on going concern may be different for listed entities because of requirements to disclose key audit matters.

We believe that the existing principles-based standards allow for auditors to apply professional judgment based on facts and circumstances, including extraordinary situations, and dictate the need to evaluate and properly respond to increased risks, which likely includes performing additional procedures in response to the effect of specific challenges on entities under audit. For a circumstance like COVID, DTTL looks to economic considerations and changes in the entity's environment, processes, and controls to determine whether there are new or different risks to the entity's ability to continue as a going concern.

**Ernst and Young (EY)**

We believe the enhancements to ISA 570 (Revised) that we have suggested in our response to Q3(a) are applicable to audits of all entities.

**GTI**

We are of the view that the same principles-based procedures should be required for all entities and in all circumstances, and that similar to the audit of accounting estimates, the audit procedures performed are determined by factors such as the methods and models used by management to make its assessment of the entity's ability to continue as a going concern, the subjectivity and complexity of those methods or models and the associated degree of estimation uncertainty. For example, in a large listed entity management may use a complex cash flow forecast to perform its analysis of the entity's ability to continue as a going concern, whilst in a small-owner managed business, the focus may be more on the owners relationship with the bank and the ability to obtain future funding. Such requirements, if correctly applied would likely result in different procedures being performed for private entities, where the users of the financial statements have more regular contact with management or those charged with governance, than for listed entities that likely use more complex forward looking analyses and that are more remote from the users of their financial statements.

**HLB International (HLB)**

No, we do not believe enhanced procedures need to be prescribed only for certain entities or in specific circumstances. We believe the standards already provide the auditor with the opportunity to use their professional judgment to respond appropriately and proportionately to the circumstances of the engagement.

**KPMG**

We believe such changes are commensurate with the nature and purpose of an audit of financial statements, as well as with the skill set of an audit professional, which naturally evolves over time. We suggest such enhancements to the ISAs apply to all audits, aligned to the risk-based approach that underpins audits, and not based on broad criteria e.g. size of an entity or whether an entity is listed, as such an approach may limit its effectiveness. For example, non-listed entities do not necessarily have a lower fraud risk profile than listed entities, and we highlight that going concern is a fundamental assumption underlying the basis of preparation of financial statements across all entities.

We consider that any changes to the ISAs (and financial reporting standards, where appropriate) as described above should be made in respect of all entities, as going concern is a fundamental assumption affecting the basis of preparation relevant to all entities.

We consider that any changes to the ISAs (and financial reporting standards, where appropriate) as described above should be made in respect of all entities, as going concern is a fundamental assumption affecting the basis of preparation relevant to all entities.

### **Mazars (MAZ)**

No, we do not believe that enhanced procedures are needed for any certain industries.

### **Mazars USA (MAZUSA)**

Response: Similar to our response to Question 2(b), we do not believe there is a need for enhanced procedures only for certain entities or in specific circumstances given the principles-based nature of ISA 570.

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

We do not believe that the nature or type of entities should be a factor in determining the procedures performed by the auditor, as separating levels of assurance for various entities will only serve to further complicate already poorly understood standards. We believe one set of standards applicable to all entities but that are scalable to the entity's particular attributes is a better path.

When a going concern issue is specifically identified by the engagement team, the auditor shall perform the required audit procedures in accordance with ISA 570 (Revised), Going Concern. We believe that the auditor shall exercise professional judgement in obtaining sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern for all entities and not just certain entities.

We do not believe that the nature or type of entities should be a factor in determining the procedures performed by the auditor, as separating levels of assurance for various entities will only serve to further complicate already poorly understood standards. We believe one set of standards applicable to all entities but that are scalable to the entity's particular attributes is a better path.

When a going concern issue is specifically identified by the engagement team, the auditor shall perform the required audit procedures in accordance with ISA 570 (Revised), Going Concern. We believe that the auditor shall exercise professional judgement in obtaining sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern for all entities and not just certain entities.

### **Nexia International (NI)**

We do not believe there is a need for enhanced procedures only for certain entities or in specific circumstances. Instead, we believe the ISAs should continue to be drafted in a scalable manner.

**PKF International Limited (PKF)**

Yes, enhanced requirements and procedures for certain entity specific circumstances.

In our view the improvements in ISAs to address the expectation gap would be better achieved through enhancing the principals and requirements of the ISAs as they generally relate to the audit of going concern, rather than by reference to certain specific circumstances.

**PricewaterhouseCoopers (PWC)**

For the jurisdictional reasons described above, we believe the opportunity for, and ability to make, impactful change through the ISA alone is limited. In many jurisdictions, additional expectations of the entity or other stakeholders, including requirements set forth by regulators, may best be addressed through legislation and/or applicable national auditing standards, or alternatively through separate engagements.

See response to part (a). We see no specific rationale for a distinction based on entity type. However, the level of interest for auditors to do more is most commonly cited in relation to audits of listed entities. Discussion with IOSCO and other regulators would help inform the debate around whether any targeted measures would be appropriate, for example assurance over internal control relevant to financial reporting. However, again this is likely dependent on the specific jurisdictional circumstances.

**RSM International Limited (RSM)**

The conclusion on going concern is fundamental to the presentation of the financial statements and, as mentioned above, management's responsibilities are defined by the financial reporting framework. Going concern is therefore relevant to all users of financial statements and we would want to see the same standards and procedures applied to all entities.

The only exception to this would be the requirement to report on going concern in the audit report which, as set out in the answer to question 3(a), should only apply to those entities to which ISA 701 is applicable.

**5. Public Sector Organizations**

**Australasian Council of Auditors General (ACAG)**

Preparation of the financial statements on a going concern basis is fundamental to the audit. Therefore, any going concern procedures conducted as a result of an audit should be consistent across all entities and should remain within the scope of the audit to ensure the expectation gap is not widened.

Additional guidance on the application of the audit of going concern to public sector entities (such as restructures of administrative arrangements where public functions are ceased or transferred between legal entities) may be helpful. We welcome the IAASB providing indicators of going concern for public sector entities.

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

We do not believe there is a need for enhanced procedures for either certain entities or specific circumstances in the public sector.

## **6. Professional Accountancy and Other Professional Organizations**

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

Response: We support the concept that audits of all entities should be subject to the same requirements relating to going concern. As we noted in our cover letter, we encourage the IAASB to continue to develop principles-based standards, without being overly prescriptive considering that these standards may serve as the basis for audits of all entities, whether public or private. Also see our response to IAASB question 3(a), as circumstances related to going concern would likely be relevant in at least some circumstances to users of the financial statements prepared in accordance with a special purpose framework, for audits of single financial statements, and when the auditor is engaged to perform an interim review.

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

ISA 570 gives clearly guidance to the auditor regarding consideration for management's assessment for the entity's going concern. There is no need to enhance procedures because any further procedure will lead to increased expectation gap and management's responsibility overshadowed.

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

ICPAU believes that the enhanced procedures should apply to all entities. There should be requirements for auditors to disclose procedures done during going concern assessments. This information should be detailed in the audit reports.

ICPAU further believes that the changes should be made within the ISAs as an enhancement of the current requirements in the ISAs regarding audit of going concern in audits of financial statements taking into considerations as raised under our comments in Question 2(b) above.

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

We do not believe that differential audit requirements relating to going concern based on the nature of an entity are necessary or appropriate. Going concern is an issue for smaller and larger entities alike and any enhanced procedures should apply to all.

### **International Federation of Accountants (IFAC).pdf**

The Covid-19 pandemic continues to have a major impact on organizations of all sizes and industry sectors, with many small businesses being significantly affected as they can lack key components to withstand adverse conditions (e.g. strong reserves, skills and experience, Government grant support etc.) and therefore the ability to sustain their operations.

### **Kriton (KNL)**

Is there a need for enhanced procedures only for certain entities or in specific circumstances?

We believe that ISA 570 can be adjusted on this point in line with the adjustments of, for example, ISA 315 and ISA 540 (applying scalability). No further distinction needs to be made according to types of entities or specific circumstances.

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

We are of the view that the enhanced procedures should cover all entities regardless of the sizes, complexity, listed, non-listed or private entities.

In regards to the enhancements that can be considered, please refer to our response to (a).

Ability to make, impactful change through the ISA alone is limited in our view. In many jurisdictions, additional expectations of the entity or other stakeholders, including the requirements set forth by regulators, may best be addressed through legislation and/or applicable national auditing standards.

#### **Mexican Institute of Public Accountants (IMCP)**

No, audit procedures must be applicable to all entities based on their assessed risks in a scalable way. Financial reporting standards should require entities to further analyze and disclose in cases such as those indicated above (long-term debt or obvious market risks).

#### **REA Auditores - Consejo General de Economistas (REA)**

No.

Management has the most relevant information to evaluate the future performance and viability of the company and takes the first step to evaluate the going concern. It is important that the administrators or management of the entity prepare a comprehensive evaluation, which the auditor can review. The document to be prepared by management (or administrators) should be similar in depth and nature to their assessments in relation to asset impairment, for example, providing information and analysis that facilitate the independent assessment of the auditor. Auditors need to gain a good understanding of the processes that management oversees. A thorough and thoughtful evaluation by management is an important precondition for high-quality audit work in this area. These procedures are already contemplated in ISA 570 (R).

#### **Wirtschaftsprüferkammer (WPK)**

No, please see answer to question 3. (a).

### **8. Academics**

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

While there is clearly a need for auditors' procedures to be responsive to the characteristics of the entity and the prevailing circumstances, we caution against mandating different requirements for different entities or in specific circumstances. Research suggests that stakeholders may not fully understand the level of assurance provided by an audit (e.g., Epstein and Geiger 1994; Gray et al. 2011) and to mandate different requirements, depending on the type of entity or circumstance, has the potential to exacerbate this misunderstanding.

We also note research consistent with the understanding that entities might effectively 'opinion shop' (i.e., seek out auditors more amenable to the client's approach and preference) (Lennox 2000; Newton, Persellin, Wang, and Wilkins 2016; Chung, Sonu, Zang, and Choi 2019), and the introduction of enhanced requirements that apply in some circumstances might be met with client disputes over the applicability of the requirements.

While we suggest in our response to Question 3(a) that there is an opportunity to enhance the standard (or provide additional guidance) to support auditors' application of the extant requirements, and to potentially extend those requirements to opining or otherwise communicating on management controls around going concern assessment, we are of the view that any changes should apply equally to all audited entities.

## **9. Individuals and Others**

### **Christian Minarriz (CM)**

Refer to answers above. I think the requirements should be applied to all entities as part of the audit, within the ISAs.

### **Q3b.3 - Mixed views, more evidence needed, or unclear**

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

### **Financial Reporting Council (FRC)**

Enhancing auditor reporting (see para 21-1) - requirement for the auditor's report on PIEs and other specified entities of public interest to include an explanation of how the auditor 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; for all entities, a conclusion that management's use of the going concern basis of accounting is appropriate (where that is the case); and, where no material uncertainty has been identified, a statement that the auditor has not identified a material uncertainty related to going concern. Where the going concern basis of accounting is appropriate but a material uncertainty exists, the auditor continues to be required to include a separate section in the auditor's report under the heading "Material Uncertainty Related to Going Concern".

It is important that ISAs should be proportionate and scalable. In the revisions we have made, which we believe would also appropriately strengthen the underlying international standard if adopted by the IAASB, we have designed the risk assessment procedures, the procedures related to evaluating management's assessment and the procedures related to evaluating audit evidence to be scalable. As such these procedures are applicable to all entities, irrespective of size.

As described above, the requirement to provide an explanation in the auditor's report of how the auditor evaluated management's assessment of going concern applies only to PIEs and other specified entities of public interest. This reflected stakeholder feedback on our consultation.

## **3. National Audit Standard Setters**

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

What our stakeholders told us

Stakeholders indicated that they need more information on the enhanced procedures before they are able to form a view as to the applicability of the enhanced procedures and whether they would be within or outside the scope of an audit.

AASB views and recommendation

We agree with our stakeholders that more information is needed on the enhanced procedures before we can form a view on how they should be applied. However, to the extent that the enhanced procedures would

fall within the scope of the audit, we are of the view that such procedures would need to align with the risk-based audit approach and the requirements of ISA 315.

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

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

For what types of entities or in what circumstances?

What enhancements are needed?

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

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 in line with the applicable financial reporting frameworks is a matter that should be explored using an analysis by the IAASB that is evidence-based. Furthermore, if other matters are sought to be required beyond going concern as defined in financial reporting frameworks, then these must be required by legislators or appropriately legally empowered regulators – not the IAASB. This would not preclude the IAASB from considering whether engagements on other matters (for example, assurance on resilience or the sustainability of an entity's business model, assurance on the risk management system related to going concern) might be appropriate on a voluntary basis.

**6. Professional Accountancy and Other Professional Organizations**

**CPA Australia (CPAA)**

Any changes to the procedures required to be conducted by auditors should be driven by enhanced reporting requirements for management or those charged with governance of the entity, which can then be required to be audited or assured. Those charged with governance of the entity hold primary responsibility for assessing whether the entity remains a going concern, making appropriate disclosures where a material uncertainty arises or determining if it is no longer a going concern. Unless the reporting requirements are changed, we do not see a need for amendments to the ISAs. However, a standard on assurance engagements for an engagement on management commentary which addresses future viability beyond the 12 months required for the financial statements would be beneficial to underpin demand for assurance in the future.

**New York State Society of CPAs (NYSSCPA)**

Similar to our response to question 2(b), we cannot answer this question definitively because changes in the accounting and auditing standards can have extensive and diverse impacts on going concern issues and fraud risks depending on how rapid these changes are made, and the specific entities or industries most likely affected or their ability to respond.

Subject to our other recommendations contained elsewhere in this letter, we believe the scope of auditing procedures currently proscribed in ISAs 315 and 570 are generally sufficient for application in financial statement audits intended to result in an opinion as to the absence of material misstatements when viewed in the context of the financial statements taken as a whole. More robust fraud procedures should be proscribed only in a standard intended to be applied in a different type of engagement such as a forensic

investigation, the objective of which is to identify and evaluate fraud that may not rise to the level of material in an financial statement context.

## **7. Investors and Analysts**

### **Corporate Reporting Users Forum (CRUF)**

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

Yes and no, as our opinion is basically the same as the content described in Question 2 (b).

Question 2 (b)

Is there a need for enhanced procedures only for certain entities or in specific circumstances?

Some CRUF participants answered no, as all entities and all circumstances should be considered in deciding whether to use enhanced procedures. Other CRUF participants answered yes, but they think that not only are large-scale companies, and companies with complicated businesses, considered to be at high risk, but that start-up or young and fast-growing companies with strong owner-manager authority are too. This is because the latter companies are less likely to be controlled by shareholders other than the owner and its affiliates.

### **Q3b.4 - No comment**

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

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

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

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

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

**Canadian Public Accountability Board (CPAB)**

**Canadian Securities Administrators (CSA)**

**Irish Auditing and Accounting Supervisory Authority (IAASA).pdf**

#### **3. National Audit Standard Setters**

**Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil Supérieur de l'Ordre des Experts-Comptables (CSOEC)**

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

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

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

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

**Moore (MGN)**

**SRA**

**5. Public Sector Organizations**

**New Zealand Auditor General (NZAG)**

**6. Professional Accountancy and Other Professional Organizations**

**Accountancy Europe (AE)**

**Belgian Institute of Registered Auditors (IBR-IRE)**

**Belgian National Chapter of Transparency International (BNCTI)**

**Center for Audit Quality (CAQ)**

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

**European Audit Committee Leadership Network (EACLN)**

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

**Inter-American Accounting Association (IAA).pdf**

**International Air Transport Association (IATA)**

**PIRC**

**9. Individuals and Others**

**Ahmed Al-Qawasmi (AAQ)**

**Alvaro Fonseca Vivas (AFV)**

**Constantine Cotsilinis (CC)**

**Dmitrii Timofeev (DT)**

**Michael Bradbury (MB)**

**The Unlimited (TU)**