Agenda Item 5-A.5

Question 3(c)(i) – Do you believe more transparency is needed about the auditor's work in relation to going concern in an audit of financial statements.

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?

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.1 - Yes - Auditor's Report\Q3ci.1 - AR - Clear statement about time period under assessment

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

Korean Institute of Certified Public Accountants (KICPA)

Assessment period: Referring to the period during which the management makes an assessment on going concern (e.g., a year starting from the date of financial statements according to the K-IFRS) in the paragraph of management's responsibility in audit reports, thereby making it possible to prevent information users from misunderstanding the assessment period of an entity's ability to continue as a going concern.

<u>4. Accounting Firms</u>

Mazars (MAZ)

On the question related to the assessment for longer than 12 months, we believe there is a need to clarify the period covered and the starting point. If there is a longer period of assessment, it requires from the entities more robust and transparent disclosures on assumptions and scenarios used. On this basis, the auditor could report on the underlying process, assumptions and scenarios. On the material uncertainty related to going concern, PIEs can use Key Audit Matters when there is a close call (so not a material uncertainty). We suggest considering extending the idea of a Key Audit Matter regarding going concern to non-PIEs.

9. Individuals and Others

Constantine Cotsilinis (CC)

I believe the expectation gap relating to going concern relates primarily to time – for how long will the enterprise be a going concern? I have read many financial statements which contain very detailed descriptions of the matters considered when management has assessed going concern. However, nowhere do they mention "for how long".

It is generally accepted that when discussing going concern, we are talking about at least the following 12 months. 12 months from the end of the reporting period or twelve months from the date of the directors' report and the approval of the financial statements. Or it can be more than twelve months if the matters considered will not reach conclusion in the next twelve months.

Why don't we state clearly to what time period we are referring?

It is generally accepted that when discussing going concern, we are talking about at least the following 12 months. 12 months from the end of the reporting period or twelve months from the date of the directors' report and the approval of the financial statements. Or it can be more than twelve months if the matters considered will not reach conclusion in the next twelve months.

Why don't we state clearly to what time period we are referring?

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.1 - Yes - Auditor's Report\Q3ci.1 - AR - Communication of limitations in the audit

1. Monitoring Group

International Association of Insurance Supervisors (IAIS)

Clear communication: It may be helpful for the auditor to clearly communicate any specific or general limitations in their audit, so that financial statement users understand the likelihood of fraud detection and the auditor's view as to whether an organisation is a going concern. However, such communication should not be viewed as an alternative to carrying out appropriate audit procedures. In addition, communication is likely to be less useful if it uses 'boilerplate' wording. Setting out clearly what can be expected from auditors in relation to fraud and going concern should help to limit any expectation gap.

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Information provided in the auditor's report regarding going concern should be reinforced by including a statement that the scope of an audit does not include assurance on the future viability of the audited entity. This will help stakeholders, including investors, to better understand what the role of the auditor is in relation to going concern.

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

Auditor's report

Information provided in the auditor's report regarding going concern should be reinforced by including a statement that the scope of an audit does not include assurance on the future viability of the audited entity. This will help stakeholders, including investors, to better understand what the role of the auditor is in relation to going concern.

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Going concern assessments are forward looking which involves judgement about inherently uncertain future outcomes of events or conditions. Users' expectations may not be realistic, however the AUASB consider that more could be done to explain the current responsibilities and provide definitional transparency.

Korean Institute of Certified Public Accountants (KICPA)

Clarity of wordings: The current wordings of "Future events or conditions may cause an entity to cease to continue as a going concern." described in audit reports could be revised into "Auditors' opinions do not assure or guarantee an entity's ability to continue as a going concern." to provide information users with clarified meanings, thereby increasing the understandability.

IAASB and auditor should communicate strongly efforts that enable stakeholders, including the government, regulators, media, investors, and general information users, to sufficiently understand inherent limitation of audits, the limitation of responsibilities of auditors, entities and those charged with governance (or 'TCWG'), respectively.

Malaysian Institute of Accountants (MIA)

The IAASB may consider enhancing the communicative value of auditor's report by considering the following:

the location of the going concern paragraph.

the disclosures on the nature, extent and limitations of the auditors' responsibilities in relation to fraud and going concern.

the requirements for auditors to discuss or provide their commentary about the going concern assessment carried out by the directors in the auditor's report, and not limiting to only include disclosure on MUGC when it is applicable. This is similar to the requirements in the UK mandating directors to discuss their basis of preparation on going concern.

engagement with key stakeholders on the meaning of material uncertainty on going concern and the scope of work by auditors on going concern.

The IAASB may consider enhancing the communicative value of auditor's report by considering the following:

the location of the going concern paragraph.

the disclosures on the nature, extent and limitations of the auditors' responsibilities in relation to fraud and going concern.

the requirements for auditors to discuss or provide their commentary about the going concern assessment carried out by the directors in the auditor's report, and not limiting to only include disclosure on MUGC when it is applicable. This is similar to the requirements in the UK mandating directors to discuss their basis of preparation on going concern.

engagement with key stakeholders on the meaning of material uncertainty on going concern and the scope of work by auditors on going concern.

4. Accounting Firms

KPMG

One potential solution to address the knowledge element of the expectation gap relating to going concern would be to provide clearer information in the auditor's report regarding the responsibilities of both management/ those charged with governance and of the auditor in respect of going concern. This would include describing the specific nature and purpose of audit procedures in this area, including the inherent limitations of an audit.

Our view is that this is unlikely, at least on its own, to be helpful and furthermore, such additional information may result in the auditor's report becoming unwieldy and more difficult for users to navigate.

RSM International Limited (RSM)

This knowledge gap could also be addressed by improving the description in the audit report of the purpose and scope of an audit regarding the detection of material fraud and the consideration of going concern. However, it is important that any such wording is in "plain English" rather than technical language.

6. Professional Accountancy and Other Professional Organizations

CFO Forum

The expectation gap could be narrowed if users are able to better understand the nature and extent of audit work performed and not performed, together with any associated limitations. Users also need to be made more aware of the areas that require them to perform their own analysis of the available information and form their own opinion.

Mexican Institute of Public Accountants (IMCP)

The results obtained from their going concern risk assessment and, where appropriate, the procedures applied, as well as a clarification that the auditor cannot predict whether future events or conditions have effect on the entity's ability to continue as a going concern.

To require the auditors, through professional standards, to explain with greater clarity and precision, their level of responsibility, as well as the responsibility of the entity's management and those charged with governance, regarding fraud and going concern in the Auditor's Responsibilities for the Audit of the Financial Statements section of the audit report. Also, through the professional standards, require the auditors to disclose in their audit report, in a summarized manner and without issuing a specific conclusion on each case:

Wirtschaftspruferkammer (WPK)

ISA 700.39 (b) (iv) should be extended by a statement in the sense of Article 25a EU Audit Directive: The statutory audit does not include assurance on the future viability of the audited entity.

8. Academics

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

In addition, they report that non-professional investors indicated that they use secondary sources for financial data and do not search for the auditor's report, suggesting that attempts to address the knowledge gap via enhanced communications in the auditor's report may not be effective. However, a more recent study by Kachelmeier, Rimkus, Schmidt, and Valentine (2020) examines critical audit matter disclosures and finds that such disclosures prompted participants (MBA students, financial analysts, and lawyers) to recognize measurement uncertainty and lower their assessments of auditor responsibility for subsequent misstatements related to the critical audit matter. These findings suggest that key audit matters in the updated auditor's report might be able to reduce the expectation gap by lowering users' perceptions of audit assurance and auditors' responsibilities.

Research highlights that an important contributor to the audit expectation gap is the belief among many stakeholders that an auditor's opinion speaks to the future viability of the entity (e.g., Monroe and Woodliff 1994; Porter et al. 2012). Carson et al. (2013, 366) note that "the issue of interest for regulators, creditors, lawyers and other financial statement users is why auditors have failed to provide warning of impending bankruptcy for companies going bankrupt". While auditor reporting on going concern uncertainties (or the absence of such reporting) is often employed as a predictor of future viability or failure, as we note above, extant International Standards on Auditing do not envisage the current requirements to serve this role. We note that PCAOB auditing standard AS2415.04 explicitly notes that misclassification "does not, in itself, indicate inadequate performance by the auditor". We suggest that consideration be given to the inclusion of a similar explicit statement in any revision to the international standard.

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.1 - Yes - Auditor's Report\Q3ci.1 - AR - Information about auditor's work or procedures on going concern

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

More transparency is needed as this would reduce the expectation gap and also it would be clearer to the users of financial statements as to what informed the auditor to conclude that the entity is a going concern.

Communication should be through the Independent Auditor's Report and also to those charged with governance through an audit committee document. The Independent Auditor's report should have a standard paragraph on going concern.

Include as part of the disclosures in the Auditor's Report, the Auditor's basis of conclusion on the appropriateness of management's use of going concern basis of accounting in the preparation of the financial statements.

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.

Independent Regulatory Board for Auditors (IRBA)

Yes. Additional transparency about the auditor's work in relation to going concern in an audit of financial statements is needed and can be achieved through making enhancements to the audit report.

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

for larger entities such as PIEs, information on how the auditor evaluated management's assessment of going concern.

In addition, audit reports should be expanded to support an enhanced focus by auditors on going concern, by requiring the auditor to include:

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Overall, we received mixed views from stakeholders about whether increasing transparency in relation to going concern in the auditor's report would assist in reducing the expectation gap. As detailed in question 1, the AUASB do consider that there is a knowledge gap which could be addressed by further transparency about the auditor's work in the auditor's report. However, we encourage the IAASB to further engage with users as to whether more reporting about the auditor's work in relation to going concern would be beneficial. More reporting could be about the auditor's responsibility in relation to going concern and how they have fulfilled this for all audits, and / or more reporting if going concern is a KAM or a MURGC. However, if the auditor is required to disclose more in the audit report about the auditor's responsibility or audit procedures undertaken in relation to going concern this should be fully aligned with the reporting of management's and TCWG's responsibility so as to not further increase the expectation gap. We note the competing issues that more transparency leads to more words, with the risk this reduces understandability or readability of the auditor's report.

Hong Kong Institute of Certified Public Accountants (HKICPA)

Adequate and explicit wordings to describe the responsibility of the auditor for evaluation of management's assessment of going concern would serve as an effective means for users of financial statements to have a clearer understanding of the work performed by auditors.

While we acknowledge that disclosure on an entity's going concern by way of emphasis of matter paragraph, key audit matter paragraph etc. in auditor's reports would be an alert to users of financial statements and helps to narrow the gap, it would not fully eliminate the expectation gap due to an unpredictable material uncertainty (e.g. outbreak of Covid-19) that is beyond the control of management. A stakeholder also indicated that the auditor's approach and evidence obtained to assess an entity's going concern should be included in the audit report.

Korean Institute of Certified Public Accountants (KICPA)

(KICPA Comment) We believe there might be unnecessary to include audit procedures on fraud and going concern, but some of the necessary items among existing audit procedures could be included in the key audit matters (or 'KAM') in relation to the close call in audit reports. In addition, the purpose of providing the above information is not about providing auditor's judgment outcomes on fraud and uncertainties related to going concern, but about providing useful, objective information to information users, as described in the 3.(c) material uncertainties related to going concern, thereby enabling users to make their own judgements.

Malaysian Institute of Accountants (MIA)

The IAASB may consider enhancing the communicative value of auditor's report by considering the following:

the location of the going concern paragraph.

the disclosures on the nature, extent and limitations of the auditors' responsibilities in relation to fraud and going concern.

the requirements for auditors to discuss or provide their commentary about the going concern assessment carried out by the directors in the auditor's report, and not limiting to only include disclosure on MUGC when it is applicable. This is similar to the requirements in the UK mandating directors to discuss their basis of preparation on going concern.

engagement with key stakeholders on the meaning of material uncertainty on going concern and the scope of work by auditors on going concern.

Royal Netherlands Institute of Chartered Accountants (NBA)

We believe that the main reason for the expectation gap is that auditors are insufficiently transparent in their communication and that auditors should report more clearly and specifically about the audit procedures performed and the outcomes thereof.

4. Accounting Firms

BDO International Limited (BDO)

As we noted earlier (in our general comments and in response to fraud in question 2), we strongly support steps that can improve communication to support the informational needs of users of financial statements. As a result, we agree that there may be a public interest objective in explaining how the auditors form their views about management's going concern assessment (i.e., to help reduce the knowledge gap) and to provide more insights to users of the financial statements and other stakeholders in the financial reporting ecosystem.

Other suggestions included:

There may be an opportunity for the IAASB to help eliminate part of the knowledge gap by requiring that auditors explain what they did in terms of performing their going concern procedures.

Crowe (CG)

More transparency ought to be presented about the work auditor's work in relation to going concern in an audit of financial statements. More information ought to be presented in the auditor's report and in communications with those charged with governance.

KPMG

One potential solution to address the knowledge element of the expectation gap relating to going concern would be to provide clearer information in the auditor's report regarding the responsibilities of both management/ those charged with governance and of the auditor in respect of going concern. This would include describing the specific nature and purpose of audit procedures in this area, including the inherent limitations of an audit.

Our view is that this is unlikely, at least on its own, to be helpful and furthermore, such additional information may result in the auditor's report becoming unwieldy and more difficult for users to navigate.

Mazars (MAZ)

The audit report must cover more extensively the work carried out on internal control and the conclusions of the auditors.

6. Professional Accountancy and Other Professional Organizations

Belgian Institute of Registered Auditors (IBR-IRE)

In addressing the question to what extent there should be more transparency in the audit report, we agree that when the auditor provides more information within the auditor's report, users would better understand what the auditor did or the outcomes of certain procedures. However, this may not lead to a piecemeal opinion. The focus of the audit report should remain the true and fair view of the financial statements as a whole. Any additional information should not distract of this primary objective.

CFO Forum

The expectation gap could be narrowed if users are able to better understand the nature and extent of audit work performed and not performed, together with any associated limitations. Users also need to be made more aware of the areas that require them to perform their own analysis of the available information and form their own opinion. One way to assist to address the knowledge gap is for auditors to include a paragraph like the one on "other information" in the audit opinion to state the role and responsibility of the auditor relating to fraud and going concern.

Yes, we do believe that more transparency is needed about the auditor's work in relation to going concern in an audit of financial statements. The nature and extent of procedures performed by the audit team, as well as their role and responsibility relating to going concern should be clearly articulated in the audit report. This can be achieved by including a paragraph similar to the one on "other information" in the audit opinion. Details relating to the audit procedures performed and resulting findings should be communicated with management and those charged with governance.

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

In our view, the IAASB should then consider further informative disclosures regarding the auditor's work in evaluating management's going concern assessment. The recent revisions to ISA (UK) 570, the equivalent standard on Going Concern in the UK, could be a starting point.

Federacion Argentina de Consejos Profesionales de Ciencias (FACP)

As in the previous answer, we consider that for companies that make a public offer and public interest entities, the auditor must communicate in the audit report his evaluation of the going concern principle, as well as the conclusions obtained.

Institute of Certified Public Accountants of Uganda (ICPAU)

ICPAU believes that more transparency is needed about the auditor's work in relation to going concern in audit of financial statements. Auditors should disclose the procedures carried out in relation to going concern in the auditor's reports.

In addition to our comment under Question 1(b), believes that more transparency is needed about the auditor's work regarding to their evaluation of the appropriateness of the use of the going concern assertion in the financial statements being audited. This may be achieved through providing more details in this regard in the auditor's report.

Institute of Chartered Accountants of Scotland (ICAS)

Yes, we believe that more transparency is required about the auditor's work in relation to going concern in an audit of financial statements. This should be communicated in the auditor's report.

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

Yes, the ACF believes that there should be enhanced procedures and information on going concern in an audit of financial statements. The public at large has an expectation of both management and the auditors to provide more transparent information regarding the resilience of the business and the greater disclosure of the procedures auditors have adopted over resilience.

Yes, we do believe that more transparency is needed about the auditor's work in relation to going concern in an audit of financial statements. In the first instance, management should be required to provide greater information regarding the resilience of the business. Thereafter, both the audit procedures performed, and related findings should be disclosed in a paragraph within the audit report to enhance levels of transparency. The level of assurance provided by the auditor (in line with any revised auditing standards) should be made clear in the audit report for enhanced transparency.

Institute of Singapore Chartered Accountants (ISCA)

More transparency over the audit procedures carried out by auditors in critically evaluating the assumptions/representations made by directors would be welcomed by users.

Inter-American Accounting Association (IAA).pdf

Require improvements in the auditor's communication, revealing its procedures and significant findings regarding its integrity and the effective application of ISA 240 and 570.

Kriton (KNL)

The auditor must report on his evaluation of the information included in the directors' report. If there is (serious) uncertainty about continuity, this must be addressed (even now) in the explanatory notes to the financial statements. In our opinion, it is not sufficient for the auditor in that situation to refer to that explanation in an emphasis-of-matter paragraph in the auditor's opinion (whether or not in addition to his description of a key audit matter in the case of the audit of a PIE). He should detail his work in this regard in a separate section of the auditor's opinion, including his evaluation of management's plans.

Malaysian Institute of Certified Public Accountants (MICPA)

We are supportive of the proposal requiring more transparency about the auditor's work in relation to the going concern in an audit of financial statements. We suggest to include disclosure requirements that are similar to the Key Audit Matters in the auditors' report, such as disclosing whether the financial statement disclosures by management have addressed the going concern assumption and the corresponding work performed by auditor on those disclosures.

Mexican Institute of Public Accountants (IMCP)

The results obtained from their going concern risk assessment and, where appropriate, the procedures applied, as well as a clarification that the auditor cannot predict whether future events or conditions have effect on the entity's ability to continue as a going concern.

To require the auditors, through professional standards, to explain with greater clarity and precision, their level of responsibility, as well as the responsibility of the entity's management and those charged with governance, regarding fraud and going concern in the Auditor's Responsibilities for the Audit of the Financial Statements section of the audit report. Also, through the professional standards, require the auditors to disclose in their audit report, in a summarized manner and without issuing a specific conclusion on each case:

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.

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

Yes. Auditor can provide more detailed information regarding the audit work done for assessing management claims for going concern possibly, in key audit matter.

8. Academics

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.

Increased transparency around the work auditors perform in coming to conclusions relating to going concern uncertainty has the potential to calibrate expectations more effectively as to the extent to which the auditor's opinion speaks to future viability (Gray et al. 2011; Bédard, Coram, Espahbodi, and Mock 2016).

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.1 - Yes - Auditor's Report\Q3ci.1 - AR - Less binary options

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee believes that more information is needed about an entity when its going concern status is in the "no material uncertainty" stage so that there is less of a cliff edge once it is determined that there is a material uncertainty related to going concern. In addition, more understanding is needed about the different going concern stages and the thresholds between them.

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.

4. Accounting Firms

Deloitte (DTTL).pdf

Provide guidance for when a material uncertainty may be considered a key audit matter.

ISA 570 requires that, if a material uncertainty exists and adequate disclosure of such uncertainty is made by management in the financial statements, the auditor's report include a separate section under the heading "Material Uncertainty related to Going Concern." Some interpret this section in the auditor's report to be the only available option for providing information in the auditor's report related to the material uncertainty. It would be helpful to provide auditors with examples of when this situation might result in a key audit matter where the auditor could provide additional information in the report regarding procedures performed to evaluate management's assessment of the entity's ability to continue as a going concern and assess adequacy of disclosures in the financial statements.

6. Professional Accountancy and Other Professional Organizations

Institute of Chartered Accountants in England and Wales (ICAEW)

A key feature of our discussions in this area related to the need for more nuanced reporting. Stakeholders still want to know whether in the auditors' opinion an entity is a going concern or not, but as with audit reports more generally, they want more colour. Going concern, like fraud, is not always a binary issue. Technically insolvent companies can and do limp on for many years and neither management nor auditors have any clear way to predict when circumstances will push them over the edge.

A key feature of our discussions in this area relates to the need for more nuanced reporting. Stakeholders still want to know whether in the auditors' opinion an entity is a going concern or not but, as with audit reports more generally, they want more colour. Going concern, like fraud, is not always a binary issue. Technically insolvent companies can and do limp on for many years and stakeholders want to know something about management and auditor views on the likelihood that a company will fail.

Institute of Singapore Chartered Accountants (ISCA)

With more extensive disclosures, the audit report could potentially move towards a non-binary nature where users can judge the appropriateness of management's going concern assessment. This, we believe, will result in better communication to users of financial statements, the risks attached to an entity's ability to continue as a going concern, and the complexity of such assessments.

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.1 - Yes - Auditor's Report\Q3ci.1 - AR - More explicit statements regarding going concern in auditor report

1. Monitoring Group

International Organization of Securities Commissions (IOSCO)

We support the continued efforts of the IAASB's Auditor Reporting Implementation project which can also be a mechanism to, not only inform and educate users but, solicit feedback as to the effectiveness of the current reporting model. Auditor reporting requirements as it relates to going concern is an important public interest matter, and the challenging economic environment resulting from the COVID-19 pandemic only serves to further emphasize the importance of revisiting the topic of the auditor's responsibility with respect to an entity's ability to continue as a going concern.

We observed that at one stage of the Auditor Reporting project there was a proposed requirement that auditors be required to provide in their audit reports explicit statements addressing whether a material uncertainty that may cast significant doubt on the entity's ability to continue as a going concern had been identified, and the appropriateness of management's use of the going concern basis of accounting. As part of the ongoing implementation review and in light of current market conditions, the IAASB should consider whether requiring those explicit statements by the auditors would be in the public interest and meet the need of investors for further transparency as to whether there are material uncertainties regarding an entity's ability to continue as a going concern, and the appropriateness of the entity's financial reporting framework.

2. Regulators and Audit Oversight Authorities

Canadian Securities Administrators (CSA)

Auditor Requirements

We note that throughout most of the duration of the IAASB's auditor reporting project that was concluded in 2015, the suite of standards contained a proposed requirement for auditors to provide an explicit, direct statement about whether a material uncertainty had been identified, and the appropriateness of management's use of the going concern assumption. However, that proposed requirement was ultimately excluded from the final suite of standards. Given the current market conditions combined with the heightened public attention that the topic of going concern in financial statement audits continues to receive, we think that the IAASB should re-consider whether such disclosure should now be required. We think such disclosure would improve the quality of financial reporting and provide decision useful information to investors. Greater transparency in the auditor's report could also lead to different behaviors by management. For example, greater transparency may result in higher accountability as issuers may expect their judgements to be scrutinized more comprehensively.

To close the knowledge gap relating to going concern, we think the IAASB could require communications of the auditor's responsibilities relating to going concern, as listed on page 21 of the Discussion Paper in the auditor's report in all instances. In addition, if there is no empahsis of matter paragraph in the auditor's report, the IAASB could consider adding wording consistent to the wording at the bottom of page 22 of the Discussion Paper: "The absence of any reference to a material uncertainty about the entity's ability to continue as a going concern in an auditor's report cannot be viewed as a guarantee as to the entity's ability to continue as a going concern".

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

In addition, audit reports should be expanded to support an enhanced focus by auditors on going concern, by requiring the auditor to include:

where no issues are identified, a statement that the auditor has not identified a material uncertainty related to going concern and conclusion that management's use of the going concern basis of accounting is appropriate; and

for larger entities such as PIEs, information on how the auditor evaluated management's assessment of going concern.

Auditor's report

In addition, audit reports should be expanded to support an enhanced focus by auditors on going concern, by requiring the auditor to include:

where no issues are identified, a statement that the auditor has not identified a material uncertainty related to going concern and conclusion that management's use of the going concern basis of accounting is appropriate; and

4. Accounting Firms

Ernst and Young (EY)

In many jurisdictions, including a separate section under the heading "Material Uncertainty Related to Going Concern" was not seen as a significant change from the Emphasis of Matter paragraph that was historically required under former ISA 706

Mazars (MAZ)

A public disclosure of the basis for the going concern assumption, even if there is "no problem", in the notes of the financial statements, including clear period covered would benefit users. We recognize that this requires the IAASB to liaise with the IASB;

See also our answers to question 1. Yes, we believe more transparency would be useful in the following areas:

Nexia International (NI)

We believe that the requirement for the auditor's responsibility section of the auditor's report to include the statement in respect of going concern contributes to the expectation gap by implying negative assurance about the entity's ability to continue as a going concern for a reasonable period of time. That is, by indicating that if the auditor had drawn attention to disclosures in the financial statements, that a material uncertainty exists, but if the auditor does not discuss a material uncertainty in the report, then a material uncertainty does not exist.

RSM International Limited (RSM)

A requirement for audit reports to contain a positive statement on going concern, with additional requirements for auditors of listed and larger private entities to explain how management's going concern assessment has been evaluated and the conclusions thereon. We would recommend linking any requirement in this area to entities subject to ISA 701.

8. Academics

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

We also note research highlighting that an auditor opining on internal control over financial reporting is associated with improvements in the quality of both controls and financial reporting (Ashbaugh-Skaife, Collins, Kinney, and LaFond 2009; Bedard and Graham 2011; Ge, Koester, and McVay 2017; Kravet, McVay, and Weber 2018; Carnes, Christensen, and Lamoreaux 2019). Based on this research, it is possible that requiring auditors to opine on the procedures management used to assess going concern risk factors, or to otherwise communicate this information to those charged with governance, will lead to improvements in going concern judgments and disclosures. We draw attention to the fact that we are making inferences from a different, albeit related, area. However, to the extent that there is an appetite among all stakeholders in the financial reporting ecosystem to significantly improve reporting on going concern uncertainty, this may be one way to meaningfully 'move the dial'.

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.1 - Yes - Auditor's Report\Q3ci.1 - AR - MURGC vs close-call KAM discrepancy and clarification

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

Also as detailed in question 1 the AUASB have received feedback that reporting on going concern matters if going concern is a KAM verses MURGC, needs to be reconsidered.

The current reporting requirements for going concern issues in the auditor's report is complex and users may not understand and interpret the difference between a MURGC and a KAM, or their importance to their decision making. By way of example, the information required to be communicated in the audit report if going concern is a KAM is greater than if a MURGC. We have feedback from academic studies that the greater the volume of words in the audit report can be interpreted as the issue having greater importance, however in the case of MURGCs versus KAM this is not proportionate to the relative severity of the issue. The auditing standards note a MURGC is by its nature a KAM. With the background above, in our view this connection confuses the purpose of each, clouds the distinction needed for readers of severity and importance to their decision making, and the resultant volume of communication in the auditor's report should reasonably expected therefore to be consistent, which it is not. The AUASB remains supportive of retaining the separate distinction of MURGC paragraphs as this gives this appropriate prominence in the auditor's report. However, the IAASB should consider if the required reporting of a MURGC should be disconnected from KAMs as a concept and contemplate more balanced qualitative information to be communicated regarding the key factors and the procedures in the audit report.

Malaysian Institute of Accountants (MIA)

Auditor's report

In practice, there is a difference in the level of disclosure in reporting of material uncertainties related to going concern under the separate "Material Uncertainty Related to Going Concern" section of the auditor's report versus more descriptive entity-specific information about the material uncertainty in the KAM section of the report.

We would recommend the IAASB to clarify whether or when the requirement related to KAM should apply to reporting of MUGC, i.e., to include a description of how the matter was addressed in the audit.

We believe the auditor should at least be required to consider whether additional information about the audit work performed should be included in the MUGC section of the auditor's report or included as a separate matter in the KAM section of the report.

4. Accounting Firms

BDO International Limited (BDO)

In addition, another option for IAASB consideration was whether the material uncertainty related to going concern paragraph should be written to be more in keeping with the Key Audit Matter approach under ISA 701 (i.e., providing users with more information about what the auditor did by way of procedures to respond and assess the material uncertainty).

Ernst and Young (EY)

Auditor's report

We included in our response to the IAASB's Auditor Reporting Post-Implementation Review Stakeholder Survey two observations about the current requirements related to reporting about a material uncertainty related to going concern as follows:

In many jurisdictions, including a separate section under the heading "Material Uncertainty Related to Going Concern" was not seen as a significant change from the Emphasis of Matter paragraph that was historically required under former ISA 706

Consistent with our response to Q1(b), we agree that users are seeking more information about the auditor's work in relation to going concern; however, we believe that addressing this requires consideration of an underlying information gap in management's disclosures. To effectively address user needs for information about an entity's ability to continue as a going concern, greater transparency in the financial statements about management's assessment is necessary first, in our view, for the auditor to increase transparency about the work performed to evaluate that assessment. We see a significant risk of unintended consequences, including widening the expectation gap, should auditor reporting requirements be expanded in a manner that would put the auditor in the position of disclosing information about the entity's viability that is not included in the financial statements, or is not included in the context of going concern.

We have received a fair amount of questions from auditors, and management and those charged with governance, regarding the required wording for the auditor's report and the use of the separate Material Uncertainty Related to Going Concern section versus including more descriptive entity-specific information about the material uncertainty in the Key Audit Matters section of the report

Although the separate Material Uncertainty Related to Going Concern section is referred to in the Key Audit Matters section when it is included, and the material uncertainty is referred to as a key audit matter (KAM), the material uncertainty section is written much differently to that of KAM and is not required to include the same elements. To increase transparency and clarity for users, we would recommend the IAASB clarify whether or when the requirement related to KAM to include a description of how the matter was addressed in the audit should apply to reporting of material uncertainties related to going concern. We believe the auditor should at least be required to consider whether additional information about the audit work performed should be included in the Material Uncertainty Related to Going Concern section of the auditor's report, or included as a separate matter in the Key Audit Matters section of the report.

PricewaterhouseCoopers (PWC)

For entities other than listed entities, when KAMs are not required to be included in the auditor's report, providing additional guidance to highlight the availability of using an emphasis of matter paragraph in the auditor's report to draw attention to disclosures in the financial statements that are considered fundamental to users' understanding (in circumstances when events or conditions were identified but ultimately no material uncertainty was deemed to exist). In some respects, communication by the auditor in this manner would draw users' attention to these important disclosures.

We believe the following matters could be addressed as part of the IAASB's AR PIR:

It would be helpful for the IAASB to resolve the implicit discrepancy between the extent of disclosure of the auditor's response when a material uncertainty relating to going concern section has been included (no requirement to describe how the matter was addressed) and a KAM on a going concern "close-call" i.e., where no material uncertainty exists (requiring more fulsome disclosure of the auditor's response).

6. Professional Accountancy and Other Professional Organizations

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

There was acknowledgement amongst our stakeholders that there is potential for confusion in relation to how KAMs, MURGCs, and EOMs are used in auditors reports in relation to going concern and these could potentially be simplified.

Furthermore, some of our stakeholders noted that users find the use of both KAMs and MURGCs confusing and we therefore suggest considering whether there is a need to revisit how the auditor's report discusses going concern close calls in KAMs versus actual material uncertainties in MURGCs.

Institute of Singapore Chartered Accountants (ISCA)

Transparency in auditor's report

An area that we would like to highlight is the seeming imbalance of disclosure requirements between two scenarios which auditors may have to deal with in the context of going concern. One is the "close-call" scenario where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists. The other is the scenario where material uncertainty over going concern (MUGC) exists.

For the "close-call" scenario, to justify the conclusion that no MUGC exists, auditors typically include a description of the audit procedures performed as part of a key audit matter. In contrast, for the MUGC scenario, the disclosures are limited to the requirements of ISA 570 Going Concern, highlighting the disclosures of indicators of MUGC and drawing references to the disclosures in the financial statements, with little mention of the audit procedures performed. The IAASB could look into further guidance to address this imbalance, with specific focus on the narrative description required in the auditor's report.

South African Institute of Chartered Accountants (SAICA)

ISA 570 (Revised) could be enhanced to require an auditor to consider whether there should be KAM in relation to going concern when events or conditions are identified that may cast significant doubt over an entity's ability to continue as a going concern.

<u>8. Academics</u>

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

Recent changes to auditor reporting standards were implemented, in part, to improve transparency and reduce the audit information gap (i.e., desired information about the audit performed). Regarding auditor reporting on going concern uncertainty, however, we note the boilerplate nature of the 'Material Uncertainty Relating to Going Concern' paragraph. One source of the expectation gap as it relates to going concern uncertainty is the differences in perceptions about the procedures auditors perform (Gray et al. 2011). A discussion, similar to that required for Key Audit Matters, irrespective of whether the auditor concludes there is a material uncertainty, may better serve the interests of transparency than a boilerplate paragraph included only when a material uncertainty exists.

Specifically, if the auditor judges that a material uncertainty does not exist, then there is the opportunity to speak to those issues in a more tailored way (specific to the work done) in a Key Audit Matter.

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

Christian Minarriz (CM)

When there is "material uncertainty" about going concern, currently ISA 570, paragraph A30, permits but not requires providing additional information about how the matter was addressed in the audit. Therefore, I think there is some inconsistency because:

If there is a "close call" it would usually be considered a KAM, and therefore the auditor would have to explain how the matter was addressed in the audit

If there is "material uncertainty", it cannot be reported as a KAM (even when conceptually it is), and it is optional to explain how the matter was addressed in the audit

I think it would be appropriate to require to explain how the material uncertainty was addressed in the audit in the "material uncertainty related to going concern" section of the report, unless it does not fall under the definition of KAM. It may be useful to include a rebuttable presumption that it is a KAM because in most, if not all, cases a material uncertainty related to going concern would fall under the definition of KAM.

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.2 - Yes - TCWG - Enhanced requirements for communication with those charged with governance

<u>1. Monitoring Group</u>

International Forum of Independent Audit Regulators (IFIAR)

Currently, the auditor is only required to communicate matters to TCWG when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern. Where relevant, the auditor should be required to communicate to TCWG on going concern, including commenting on the quality of management's assessment and how they have evaluated relevant events and conditions. This would encourage early, transparent dialogue between the auditor, those charged with governance and management.

Whether auditors appropriately engage with Those Charged with Governance (TCWG). This includes the application of appropriate rigor in determining whom to speak to, whether meetings should include management, whether the auditor is sufficiently considering management bias, and whether the auditor appropriately communicates to TCWG how fraud risks were addressed and results of the relevant audit procedures.

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Communication should be through the Independent Auditor's Report and also to those charged with governance through an audit committee document. The Independent Auditor's report should have a standard paragraph on going concern.

Canadian Public Accountability Board (CPAB)

Communication with those charged with governance

ISA 570 could be enhanced to require greater transparency in the communication of going concern to those charged with governance. Currently, the auditor is only required to communicate matters to those charged with governance when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern or if management has refused to make or extend its assessment when requested. The auditor should be required to communicate on going concern, including commenting on the quality of management's assessment, the procedures they performed to evaluate going concern, and the conclusion reached, including whether the disclosures being made by management are appropriate given the circumstances. This could encourage early transparent dialogue among the auditor, those charged with governance and management.

Communication with those charged with governance

ISA 570 could be enhanced to require greater transparency in the communication of going concern to those charged with governance. Currently, the auditor is only required to communicate matters to those charged with governance when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern or if management has refused to make or extend its assessment when requested. The auditor should be required to communicate on going concern, including commenting on the quality of management's assessment, the procedures they performed to evaluate going concern, and the conclusion reached, including whether the disclosures being made by management are appropriate given the circumstances. This could encourage early transparent dialogue among the auditor, those charged with governance and management.

Committee of European Auditing Oversight Bodies (CEAOB)

If management is reluctant to make or extend its assessment to at least 12 months when requested to do so by the auditor, the IAASB should further explore requiring the auditor to discuss the matter with management, and if appropriate, with TCWG. If management, or TCWG, do not provide sufficient information about the entity's ability to continue as a going concern, the auditor should be required to consider the implications for the audit engagement and the audit opinion

Further developing the two-way communication culture in the audit profession with audit committees and those charged with governance (hereafter "TCWG"), in order to facilitate efficiency of the dialogue on fraud risks and going concern;

If management is reluctant to make or extend its assessment to at least 12 months when requested to do so by the auditor, the IAASB should further explore requiring the auditor to discuss the matter with management, and if appropriate, with TCWG. If management, or TCWG, do not provide sufficient information about the entity's ability to continue as a going concern, the auditor should be required to consider the implications for the audit engagement and the audit opinion.

Financial Reporting Council (FRC)

Whether more transparency is needed with regard to communications with those charged with governance.

As described in our responses to Q2(a) and Q3(c), the requirements in ISA (UK) 240 and ISA (UK) 260 go beyond those in the underlying international standards.

ISA (UK) 260 also includes enhanced requirements for communication with audit committees of PIEs and other entities applying the UK Corporate Governance Code, including about the board's explanation in the annual report as to how it has assessed the prospects of the entity, over what period it has done so and why it considers that period to be appropriate, and their statements:

(i) in the financial statements, as to whether the Board considered it appropriate to adopt the going concern basis of accounting in preparing them, including any related disclosures identifying any material uncertainties to the entity's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements; and

(ii) in the annual report as to whether it has a reasonable expectation that the entity will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, drawing attention to any qualifications or assumptions as necessary.

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

Communication with TCWG and other parties

If management is reluctant to make or extend its assessment to at least 12 months when requested to do so by the auditor, the IAASB should further explore requiring the auditor to discuss the matter with management, and if appropriate, with TCWG. If management, or TCWG, do not provide sufficient information about the entity's ability to continue as a going concern, the auditor should be required to consider the implications for the audit engagement and the audit opinion.

further developing the two-way communication culture in the audit profession with audit committees and those charged with governance ("TCWG"), in order to facilitate dialogue on fraud risks and going concern; and

National Association of State Boards of Accountancy (NASBA)

NASBA recommends greater transparency with those charged with governance when the auditor has considered the risks and determined that a going concern disclosure in the auditor's report is not needed, but the decision was the result of a "close call" involving significant judgment.

3. National Audit Standard Setters

Canadian Auditing and Assurance Standards Board (AASB)

What our stakeholders told us

Key Audit Matters (KAM) reporting is not yet effective in Canada. Our stakeholders indicated that KAM reporting will likely enhance transparency on "close calls" (i.e., events or conditions that may cast significant doubt on an entity's ability to continue as a going concern, but which management and the auditor conclude do not create a material uncertainty relating to going concern).

Audit committee members indicated to us that timely communication of potential going concern issues by management and auditors is of vital importance to their role in overseeing the financial reporting process.

AASB views and recommendation

We support enhanced transparency in communications between the auditor and those charged with governance.

Some of the procedures discussed in the section "Guidance to enhance the auditor's ability to identify risks of going concern" in our response to Q3(a) may help auditors to identify indications of potential going concern issues at an early stage in an audit. IAASB guidance can encourage auditors to communicate such indications to management and those charged with governance as early as possible so as to allow all parties involved sufficient time to appropriately address such issues.

We recently completed outreach activities on the IAASB's post-implementation review (PIR) of the enhanced auditor reporting standards. Results from our PIR outreach did not identify a demand for additional communications regarding going concern in the auditor's report. Based on existing accounting and audit requirements relating to going concern, we believe the transparency provided in the going concern and KAM sections in the auditor's report to be adequate in informing financial statements users of the respective responsibilities of management and the auditor with respect to going concern assessments.

Korean Institute of Certified Public Accountants (KICPA)

Going concern: The extant ISA 570.25 requires auditors to communicate with the TCWG events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern. Along with this, the communication of whether the management presents its assessment outcomes and their details with the TCWG would contribute to narrowing performance gap, as we expect, if additionally included.

Malaysian Institute of Accountants (MIA)

Communication with those charged with governance

There should be a more robust two-way discussion between TCWG and the auditor on the topic of going concern, including TCWG sharing views about management's assessment of going concern, as well as carrying out discussions of significant assumptions made in light of the identified events or conditions. The auditor could also communicate about the procedures performed to evaluate the assessment and the findings of the work performed.

There should also be more guidance on the nature, timing or extent of communication expected with TCWG on going concern matters; the current requirement in ISA 570 is written as a communication of outcomes or conclusions that the auditor has reached.

Royal Netherlands Institute of Chartered Accountants (NBA)

An elaborated and detailed report of the auditor to management and those charged with governance about;

4. Accounting Firms

Crowe (CG)

More transparency ought to be presented about the work auditor's work in relation to going concern in an audit of financial statements. More information ought to be presented in the auditor's report and in communications with those charged with governance.

Ernst and Young (EY)

Communication with those charged with governance

The current communication requirement in ISA 570 (Revised) is written as a communication of outcomes or conclusions that the auditor has reached (e.g., whether management's use of the going concern basis of accounting is appropriate, whether events or conditions constitute a material uncertainty, etc.). There is no supporting application material to this requirement to indicate the nature, timing or extent of communication expected.

We believe that the communication requirement should be enhanced, and application material developed, to promote a more robust dialogue with those charged with governance that would include sharing views about management's assessment of going concern, as well as a discussion of significant assumptions made in light of the identified events or conditions. The auditor could also communicate about the procedures performed to evaluate the assessment.

However, in the context of current accounting requirements, we do see certain opportunities for enhancement in the auditor's communications about going concern with those charged with governance, as well as in auditor reporting when a material uncertainty related to going concern exists.

PricewaterhouseCoopers (PWC)

Understanding oversight by those charged with governance

ISA 570 (Revised) does not have a requirement for the auditor to obtain an understanding of how those charged with governance exercise oversight of management's process regarding going concern, and/or preliminary assessment of the entity's ability to continue as a going concern. Presently the communication requirement is solely focused on the auditor's findings after performing their required procedures. We believe a new requirement would be a useful enhancement in ISA 570 (Revised) to promote a two-way communication with those charged with governance about: what they consider to be events or conditions that may indicate a material uncertainty exists; the areas of potential focus in evaluating management's assessment; and the audit plan. The effectiveness of any such communication is, however, premised on those charged with governance having appropriate responsibilities and accountability for going concern as part of the broader corporate reporting ecosystem.

Understanding oversight by those charged with governance

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RSM International Limited (RSM)

As set out in our response to question 3(a), we would be in favour of additional requirements to report on going concern in the audit report.

We also consider that a more detailed explanation to those charged with governance regarding the auditor's procedures in relation to going concern would enhance audit quality. It would enable those charged with governance to understand and challenge the auditor on the nature and extent of the procedures performed.

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

how to ensure effective two-way communication with audit committees on risks related to fraud and going concern

CFO Forum

Yes, we do believe that more transparency is needed about the auditor's work in relation to going concern in an audit of financial statements. The nature and extent of procedures performed by the audit team, as well as their role and responsibility relating to going concern should be clearly articulated in the audit report. This can be achieved by including a paragraph similar to the one on "other information" in the audit opinion. Details relating to the audit procedures performed and resulting findings should be communicated with management and those charged with governance.

International Federation of Accountants (IFAC).pdf

IFAC also considers that more transparency may be helpful with regard to effective, two-way communications with management and TCWG relevant to the procedures undertaken by the auditor.

The exploration of additional reporting to management and those charged with governance (TCWG) may have the benefit of fostering better two-way communication, potentially improving audit quality.

Mexican Institute of Public Accountants (IMCP)

To require the external auditor to indicate clearly and broader, in the communications with those charged with governance of the entity (ISA 260), the responsibilities for the entity's management, those charged with governance of the entity, and the auditors regarding fraud and going concern matters. Similarly, to enhance the description of the auditor's responsibility for fraud in both the engagement letter and the management representation letter.

Yes, we believe that documents could be issued by the IAASB for audit committees and users of audited financial statements, explaining the auditor's responsibilities and the limitations inherent to auditing the going concern determination by the entity.

The Institute for the Accountancy Profession in Sweden (FAR)

Transparency is key to maintain trust and we are open to more transparency about the auditor's work. More transparency can help reduce the expectation gap. This can be done by an improved dialogue with those charged with governance and through more transparency in both the financial statements and the auditor's report. It is however again important to stress that the primary responsibility for the assessment and reporting on going concern lies within the company and those charged with governance.

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.3 - Yes - Regulatory Authorities - Requirement to communicate with reulatory authorities when necessary

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

Canadian Public Accountability Board (CPAB)

We also encourage the IAASB to explore other possible actions to enhance the role of the auditor. For example, in other jurisdictions auditors are required to make additional communications to outside parties, including to relevant authorities, where issues related to going concern are identified by the auditor, and management and those charged with governance do not take appropriate measures, with a view to protecting the public interest.

Committee of European Auditing Oversight Bodies (CEAOB)

Public interest role of the auditor

There is an increased public expectation regarding the public interest role of the auditor. In this regard, the role that the auditor already has in the national legislation of several EU states should also be considered by the IAASB. Where issues related to going concern are identified by the auditor and management and TCWG do not take appropriate measures, the auditor should be required to report to an appropriate external authority (which has, for example, the ability to take steps in such circumstances). This reporting would contribute to the auditor's role to protect the public interest as it may prevent negative consequences for the entity of a temporary uncertainty or issue which could impair the entity's functioning.

Financial Reporting Council (FRC)

Whether more transparency is needed with regard to communications with those charged with governance.

As described in our responses to Q2(a) and Q3(c), the requirements in ISA (UK) 240 and ISA (UK) 260 go beyond those in the underlying international standards.

Whether more information is needed in the auditor's report regarding fraud or going concern, and if so, further details about the transparency needed.

More information and transparency in the auditor's report could help address the expectations gap. As described in our responses to Q2(a) and Q3(a), the requirements in ISA (UK) 240 and ISA (UK) 570 go beyond those in the underlying international standards.

Communicating with regulators (see para 25-1) – requirement for the auditor to determine whether law, regulation or relevant ethical requirements require the auditor to report to an appropriate authority outside the entity when the auditor has determined it necessary to include either a "Material Uncertainty Related to Going Concern" paragraph in the auditor's report or to issue a qualified, adverse or disclaimer of opinion in respect of going concern.

As discussed in our response to Q3(a) the revised ISA (UK) 570 places more robust transparency requirements on auditors with regards to, but not restricted to, enhanced auditor reporting and communication with regulators, which could have positive effects on narrowing knowledge and performance gaps.

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

Public interest role of the auditor

There is an increased public expectation regarding the public interest role of the auditor. In this regard, where issues related to going concern are identified by the auditor that lead to modification of the audit opinion, the auditor should be required to consider whether the auditor is obliged by law, regulation or ethical requirements to report to an appropriate external authority.

Q3ci.1 - Yes\If yes, what additional information is needed and how should this information be communicated\Q3ci.4 - Yes - Other

2. Regulators and Audit Oversight Authorities

Independent Regulatory Board for Auditors (IRBA)

In addition, we note that:

ISA 570.24 suggests that the auditor may modify the audit opinion when management is unwilling to extend its going concern assessment. This is not practically feasible because of the factual nature of the "appropriateness of the going concern basis of preparation" assessment (assessment (i) above), which is almost always provided.

The auditor has to perform their own assessment of events and conditions identified (assessment (ii) above) to enable a modification of the report, as the auditor is obliged to identify the events and conditions that they believe should have been disclosed in the financial statements.

In practice, management will often agree to disclose what the auditor proposes based on their assessment. This impedes the robustness of the going concern assessment. Management, which comprises those who are in a much better position to perform an adequate going concern risk assessment, does not take responsibility for the assessment or the disclosures.

To help resolve this issue, we propose that paragraph 24 of ISA 570 be adapted to allow for the modification of the audit report when the assessment provided by management is inadequate in the view of the auditor. The auditor can then modify the opinion and provide a basis for concluding that it is inadequate, as opposed to being "forced" into a position where they are performing the assessment on behalf of management.

We propose adaptations of management's responsibility statement to align directly with the requirements of the accounting framework. For example:

Extant paragraph:

"In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so."

To be replaced with:

"Management is required to prepare the financial statements on the going concern basis of accounting, unless management either intends to liquidate the entity or cease trading or has no realistic alternative but to do so, in accordance with IAS 1.25. This involves management making an assessment of an entity's ability to continue as a going concern. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. In assessing whether the going concern assumption is appropriate, management considers all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period."

We propose removing the auditor's responsibility statement and replacing it with a Going Concern Assessment paragraph (to be disclosed under a separate heading). The purpose of the Going Concern Assessment paragraph will be:

To share with the users of the financial statements some factual insights into the going concern assessment process, as it occurred between management and the auditor.

To provide confirmation on the adequacy of the going concern assessment provided by management, for further audit analysis.

To factually assert whether the auditor agrees/disagrees with management's conclusion around the appropriateness of the going concern basis of preparation, and explain the rationale for this conclusion in accordance with the accounting framework requirements.

To emphasise the disclosure of events and conditions identified that were further analysed by management.

In the case of a material uncertainty conclusion, to emphasise in a different manner that there is uncertainty, and what the implication of this is for the user.

To provide insight into the procedures performed by the audit team in reaching its material/not material uncertainty conclusion.

For example:

The auditor obtained management's assessment of the appropriateness of the use of the going concern basis of preparation, as defined in the accounting standards. In addition, the auditor obtained management assessment of events and conditions that may cast significant doubt on the entity's ability to continue operating as a going concern in the foreseeable future. The assessments were evaluated for completeness and accuracy, in the context of the auditor's understanding of the business and events or conditions that may cast doubt on the entity's ability to continue as a going concern, and concluded to be adequate for further auditor analysis.

Events and conditions that may cast doubt on the entity's ability to continue as a going concern, and have been identified for further analysis, are disclosed in note x (this applies regardless of whether the conclusion is that this does or does not cast significant doubt, as even not significant conclusions need to be disclosed for fair presentation (ISA 570.20)).

Management concluded that these events cast significant doubt/do not cast significant doubt [delete as appropriate] on the entity's ability to continue as a going concern. We agree with management's conclusion.

[Only applicable if the conclusion is that there is a material uncertainty.] We emphasise the material uncertainty that these events and conditions cast on the going concern assessment of the entity. However, the audit report is not modified in this respect as the matters have been sufficiently disclosed in the financial statements, allowing you as the user to assess the potential impact of these matters on the future operating performance of the company or to make further enquiries from management and those charged with governance, as needed.

In reaching our conclusions, we have performed the following procedures:

[List the minimum required procedures.]

[List the additional procedures performed, based on risk/auditor judgement.]

Our conclusions are based on the audit evidence obtained up to the date for our auditor's report. However, our conclusions do not constitute a positive affirmation that the company is indeed a going concern and/or will remain as such. Future events or conditions may cause the company to cease to continue as a going concern.

3. National Audit Standard Setters

Malaysian Institute of Accountants (MIA)

The IAASB may consider enhancing the communicative value of auditor's report by considering the following:

the location of the going concern paragraph.

the disclosures on the nature, extent and limitations of the auditors' responsibilities in relation to fraud and going concern.

the requirements for auditors to discuss or provide their commentary about the going concern assessment carried out by the directors in the auditor's report, and not limiting to only include disclosure on MUGC when it is applicable. This is similar to the requirements in the UK mandating directors to discuss their basis of preparation on going concern.

engagement with key stakeholders on the meaning of material uncertainty on going concern and the scope of work by auditors on going concern.

Royal Netherlands Institute of Chartered Accountants (NBA)

A high level report to stakeholders. This could be a separate report from the auditor's report and take some elements of the report of the auditor the management and those charged with governance. This would keep the auditor's report clean and concise.

4. Accounting Firms

BDO International Limited (BDO)

Another area that may need improved communication is that of differences in interpretation or understanding by users and other stakeholders on whether the material uncertainty 'related to events or conditions casting significant doubt on an entity's ability to continue as a going concern' compared to just 'related to the entity's ability to continue as a going concern'.

CohnReznick (CR)

Going concern

We believe it is appropriate to remove requirement for the auditor's responsibility section of the auditor's report to include the statement in ISA 700.38(b)(iv):

To conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether 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. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause an entity to cease to continue as a going concern.

While the above statement is accurate, we believe the statement contributes to an expectation gap by implying negative assurance about the entity's ability to continue as a going concern for a reasonable period of time. That is, by indicating had the audit drawn attention to disclosures in the financial statements, that a material uncertainty exists, but if the auditor does not discuss a material uncertainty in the report, then a material uncertainty does not exist. We note that there is a corresponding responsibility of management indicated in ISA 700.33(b):

Assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern. The explanation of management's responsibility for this assessment shall include a description of when the use of the going concern basis of accounting is appropriate.

However, we believe the wording in ISA 700.38(b)(iv) still contributes to an expectation gap and believe the auditor's responsibility in ISA 700.38(b)(iv) should be removed from the auditor's report and have no objection to management's responsibility, ISA 700.38(b)(iv), being removed as well.

We believe more transparency may be appropriate and can be effectively and efficiently achieved by the IAASB adopting reporting requirements related to going concern and fraud similar to the AICPA's. See our response to 1(b) above, specifically the "Going Concern" and "Fraud" sections.

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.

MHA Macintyre Hudson (MHA)

We are generally supportive of greater transparency in auditor reporting and this extends also to going concern. We would support enhancement to audit reports, including potentially more nuanced reporting of the assessment of going concern. There is an understandable reluctance on behalf of management to fully disclose given the reaction of the markets and credit agencies to the merest hint of a going concern risk. Therefore, before introducing such a requirement, it will be important to ensure that users and other stakeholders (e.g. markets, credit agencies) are more mature and sophisticated in their response when potential going concern issues are highlighted in the audit report.

MNP LLP (MNP)

As mentioned above, we do believe that more formal communication such as a required annual assurance meeting would help auditors to be more transparent about the auditor's work in relation to going concern in the audit of the financial statements and also serve to enhance the communication & transparency between various interested parties while also achieving an enhanced expectation of responsibility to those charged with governance

5. Public Sector Organizations

New Zealand Auditor General (NZAG)

There may also be merit in re-examining the audit report to improve the wording, and to make this more understandable for lay readers.

6. Professional Accountancy and Other Professional Organizations

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

Improved transparency in relation to going concern should come through enhancements to the accounting standards as noted in our response to 3(a) above (as has begun to happen in some jurisdictions such as New Zealand in the absence of action from the IASB) so that management and those charge with governance can make appropriate assessments and disclosures of those assessments. A consideration of introducing a SOX-like regime may also assist in the robustness of these assessments for those entities where the benefits of such a regime outweigh the costs.

In our view, the IAASB should then consider further informative disclosures regarding the auditor's work in evaluating management's going concern assessment. The recent revisions to ISA (UK) 570, the equivalent standard on Going Concern in the UK, could be a starting point. We also note that the Australian Parliamentary Joint Committee Inquiry into the regulation of auditing in Australia recommends a formal review by the Australian Financial Reporting Council on the sufficiency and effectiveness of reporting requirements under the Australian standards in relation to going concern.

Institute of Singapore Chartered Accountants (ISCA)

Considering that going concern assessment is a forward-looking exercise and to a large extent, dependent on the entity's internal assessment, it could be worthwhile to explore the merits for auditors to provide commentaries on management's going concern assessment process in the auditor's report, including the accuracy of historical forecast. This would assist users to gauge the reliability of management's forecast process.

South African Institute of Chartered Accountants (SAICA)

Certain jurisdictions such as the Netherlands and the UK have had extended reporting requirements on going concern. SAICA recommends that the IAASB should interact with the appropriate bodies in these jurisdictions to understand what impact such reporting has had on addressing the expectation gap and whether similar changes to ISAs would be useful.

Q3ci.2 - No\Q3ci - No - Further transparency not necessary for auditor's report specifically

3. National Audit Standard Setters

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

At our roundtable event, participants were evenly split as to whether or not additional transparency is needed in the auditor’s report (34% thought yes, 31% thought no and 34% agreed sometimes).

As part of the NZAuASB’s outreach related to the auditor reporting post implementation review project, the Board heard from users of the auditor’s reports that auditors communicate well on matters related to going concern. As a result of the COVID-19 pandemic, in New Zealand we have seen an increase in the number of KAMs related to going concern, in “close call” situations. As part of this broader outreach, we have also heard from users that lengthy audit reports that include standardised wording are not useful, i.e., few users read the parts of the audit report that focus on management’s and/or the auditor’s responsibilities that include generic standardised text. In fact, some investors we spoke to, do not read the auditor’s report at all, other than to glance at who the auditor was. They take some confidence in the fact that an audit was conducted but do not overly rely on the contents of the audit report.

Based on this feedback, the NZAuASB considers that adding additional reporting requirements into the auditor’s report that is overly standardised is unlikely to have an impact on narrowing the expectation gap.

The NZAuASB explored ways to enhance the auditor’s interim review report in detail as part of its domestic project to revise NZ SRE 2410. As part of this project, we sought views from all participants in the financial reporting ecosystem. While the project was focussed on interim review reports, a number of key themes emerging about communication of matters related to going concern are equally applicable to audits. These key themes include:

A caution against a lengthy section on going concern in all instances. Such an approach was likely to unbalance the report, overly focussing on going concern matters and possibly even exacerbating the expectation gap, given that there is already a misconception of a guarantee.

Preparers were especially concerned that such an approach may result in a self-fulfilling prophecy, making users nervous about going concern even in circumstances where going concern risks was low. If the IAASB were to develop further reporting requirements on going concern matters, it is important that such an approach not leave the user hanging, i.e., must conclude on the matter if you are highlighting the matter to the user.

A counter argument is that the auditor is not concluding on the ability of the entity to continue as a going concern, and should avoid a focus or wording that may imply as much

Listing procedures performed is not overly useful as users are most interested in whether the auditor found anything. The auditor is already required to report a material uncertainty related to going concern or a KAM in the close call situations.

Auditors consider that the reporting requirements relating to going concern have become overly complex as a result of the introduction of KAMs as well as a separate section for a material uncertainty related to going concern (MURGC) or emphasis of matter (EOM) paragraphs. If the auditor is reporting a MURGC, by nature it is a KAM, and therefore practitioners are of the view that it is appropriate to report the same details as are reported for a KAM, by including detail on the procedures undertaken i.e., how the MURGC was addressed by the auditor.

On balance, the NZAuASB does not consider that adding more transparency about the auditor's work related to going concern into the auditor's report will assist in reducing the expectation gap. A different way to communicate with users may be more effective than using different technical headings that many users may not necessarily understand. Education included in the auditor's report has historically been the way in which standard setters have tried to narrow the expectation gap. However, this approach has had very little effect. We have heard from users that they generally do not read the auditor's report in detail, especially any boilerplate, standardized text about the auditor's responsibilities or that they regard the auditor's report as too technical to be clearly understood.

The NZAuASB does however see merit in promoting awareness and transparency about what the auditor's role is, together with what the responsibilities of management and those charged with governance are, related to assessing the appropriateness of the use of the going concern basis of accounting.

4. Accounting Firms

HLB International (HLB)

We believe auditors already have all they need at their disposal in order to be fully transparent with regard to going concern. For instance, auditors may communicate directly with those charged with governance. In addition, auditors already have the ability to use emphasis of matter, other matter and key audit matter disclosures in the auditor's report.

PKF International Limited (PKF)

Additional information in relation to the auditor's work on going concern is not necessarily required. This is on the basis that, for applicable engagements, information relating to a material uncertainty on going concern should be presented in the auditor's report. Furthermore, many financial report frameworks include requirements for going concern and the judgements and assumptions made, irrespective of whether there is material uncertainty.

SRA

A further elaboration on fraud or going concern in the auditor's report is in our view not effective. We refer to the arguments, provided in the general remarks, under 3.1.

5. Public Sector Organizations

Auditor General of South Africa (AGSA)

c)(i) No, because if material uncertainties regarding going concern exist then it is already reported in the audit report. The current requirements for communicating with those charged with governance on matters related to going concern is considered to also be sufficient.

Office of the Auditor General of Canada (OAGC)

We do not believe that additional auditor reporting to those charged with governance or in the auditor's report is required in this area. We believe the IAASB and auditors should focus their efforts on auditor performance rather than reporting.

6. Professional Accountancy and Other Professional Organizations

American Institute of Certified Public Accountants (AICPA)

We are concerned that further discussion in the auditor's report may become boilerplate and would not be meaningful or useful.

Botswana Institute of Chartered Accountants (BICA)

The current audit report illustrations in ISA 700 have clear guidance for responsibilities of both directors and auditors particularly with respect to the going concern assessment. ISA 570 further requires the auditor to obtain management representation letter acknowledging their responsibility of assessing the entity's ability to continue as a going concern. This responsibility is disclosed in the audit report as well. There is therefore no need for further transparency of the auditor's work than is already disclosed.

Confederation of Indian Industry (CII)

The current auditor's report is already at least 3 pages and including any additional disclosures will just mean that more details may be lost in the plethora of information. Assessing the going concern is the management's responsibility and should continue to remain so. Therefore, we do not recommend the inclusion of further additional information on going concern in the auditor's report. We believe that inclusion of a framework with related requirements in the accounting standards would go a long way of reducing the expectation gap relating to going concern which currently exists due to the non-coherent approach by auditors towards this aspect.

New York State Society of CPAs (NYSSCPA)

In our view, the communication requirements to going concern are adequate. Auditors have flexible options and, in most circumstances, can provide increased transparency to users in the independent auditor's report, through key audit matters, as well as communications to those charged with governance, as applicable.

Q3ci.2 - No\Q3ci - No - Further transparency not necessary for TCWG specifically

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB considers the current communications to TCWG are sufficient.

4. Accounting Firms

CohnReznick (CR)

We caution that providing too much information may be detrimental. We also note that providing information that is outside the scope of the audit may be misleading and may unintentionally encourage undue reliance by those charged with governance on the auditor in the performance of the financial reporting oversight responsibilities of those charged with governance.

HLB International (HLB)

We believe auditors already have all they need at their disposal in order to be fully transparent with regard to going concern. For instance, auditors may communicate directly with those charged with governance. In addition, auditors already have the ability to use emphasis of matter, other matter and key audit matter disclosures in the auditor's report.

We believe auditors already have all they need at their disposal in order to be fully transparent with regard to going concern. For instance, auditors may communicate directly with those charged with governance. In addition, auditors already have the ability to use emphasis of matter, other matter and key audit matter disclosures in the auditor's report.

Mazars USA (MAZUSA)

Response: We do not believe that more transparency is needed about the auditors work in relation to going concern in an audit of financial statements.

SRA

In the non-public interest segment communication with those charged with governance regarding fraud and going concern may be extensive, through e.g. a long-form auditor's report. The extent and the format of such communication can be agreed on a case by case-basis between both parties. We therefore do not support inclusion of requirements regarding this aspect in the auditing standards.

5. Public Sector Organizations

Auditor General of South Africa (AGSA)

c)(i) No, because if material uncertainties regarding going concern exist then it is already reported in the audit report. The current requirements for communicating with those charged with governance on matters related to going concern is considered to also be sufficient.

Office of the Auditor General of Canada (OAGC)

We do not believe that additional auditor reporting to those charged with governance or in the auditor's report is required in this area. We believe the IAASB and auditors should focus their efforts on auditor performance rather than reporting.

6. Professional Accountancy and Other Professional Organizations

CPA Australia (CPAA)

Not all communications between the auditor and TCWG need to be transparent to users as many matters will be resolved prior to the auditor's report being issued. Unresolved matters may be raised as a qualification in the auditor's report if needed. We are not aware of further need for requirements regarding transparency between the auditor and TCWG, as we believe this is adequately accommodated in the current standards.

Not all communications between the auditor and TCWG need to be transparent to users as many matters will be resolved prior to the auditor's report being issued. Unresolved matters may be raised as a qualification in the auditor's report if needed. We are not aware of further need for requirements regarding transparency between the auditor and TCWG, as we believe this is adequately accommodated in the current standards.

New York State Society of CPAs (NYSSCPA)

In our view, the communication requirements to going concern are adequate. Auditors have flexible options and, in most circumstances, can provide increased transparency to users in the independent auditor's report, through key audit matters, as well as communications to those charged with governance, as applicable.

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

Christian Minarriz (CM)

I do not think that further communication with TCWG is necessary.

I do not think that further communication with TCWG is necessary.

Q3ci.2 - No\Q3ci - No - general

<u>4. Accounting Firms</u>

Mazars USA (MAZUSA)

Response: We do not believe that more transparency is needed about the auditors work in relation to going concern in an audit of financial statements.

PKF International Limited (PKF)

No comments to note.

No, we do not believe that there is a need for additional transparency in relation to the auditor's work done on going concern.

SRA

A further elaboration on fraud or going concern in the auditor's report is in our view not effective. We refer to the arguments, provided in the general remarks, under 3.1.

In the non-public interest segment communication with those charged with governance regarding fraud and going concern may be extensive, through e.g. a long-form auditor's report. The extent and the format of such communication can be agreed on a case by case-basis between both parties. We therefore do not support inclusion of requirements regarding this aspect in the auditing standards.

<u>5. Public Sector Organizations</u>

Auditor General of South Africa (AGSA)

c)(i) No, because if material uncertainties regarding going concern exist then it is already reported in the audit report. The current requirements for communicating with those charged with governance on matters related to going concern is considered to also be sufficient.

Office of the Auditor General of Canada (OAGC)

We do not believe that additional auditor reporting to those charged with governance or in the auditor's report is required in this area. We believe the IAASB and auditors should focus their efforts on auditor performance rather than reporting.

US Government Accountability Office (GAO)

In our view, it will be challenging to revise the auditor's report in a meaningful way to increase transparency about auditors' work in relation to going concern in an audit of financial statements.

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 audit report illustrations in ISA 700 have clear guidance for responsibilities of both directors and auditors particularly with respect to the going concern assessment. ISA 570 further requires the auditor to obtain management representation letter acknowledging their responsibility of assessing the entity's ability to continue as a going concern. This responsibility is disclosed in the audit report as well. There is therefore no need for further transparency of the auditor's work than is already disclosed.

Confederation of Indian Industry (CII)

The current auditor's report is already at least 3 pages and including any additional disclosures will just mean that more details may be lost in the plethora of information. Assessing the going concern is the management's responsibility and should continue to remain so. Therefore, we do not recommend the inclusion of further additional information on going concern in the auditor's report. We believe that inclusion of a framework with related requirements in the accounting standards would go a long way of reducing the expectation gap relating to going concern which currently exists due to the non-coherent approach by auditors towards this aspect.

New York State Society of CPAs (NYSSCPA)

In our view, the communication requirements to going concern are adequate. Auditors have flexible options and, in most circumstances, can provide increased transparency to users in the independent auditor's report, through key audit matters, as well as communications to those charged with governance, as applicable.

Q3ci.3 - Mixed views, Unclear or other

4. Accounting Firms

GTI

We question whether additional disclosures in relation to going concern in an audit of financial statements will have value to the users of the financial statements. As an example, we note that all auditor's reports in the UK require disclosure of the auditor's conclusions in relation to going concern, irrespective of whether a material uncertainty that casts significant doubt on the entity's ability to continue as a going concern has been identified. These disclosures are boilerplate in nature, and we understand are not always read or considered by users of the financial statements.

We recommend that research is performed to understand whether these additional disclosures are of value to users before consideration is given to a similar expansion of disclosures in the international standards.

MNP LLP (MNP)

Auditors are required to determine and communicate key audit matters in the auditor's report for certain types of entities. If going concern is most significant to the audit of the financial statements, this information will be conveyed to the users of the financial statements through these key audit matters. This audit standard has recently become effective for certain entities in Canada, as such the impact on users is not yet clear, although we believe the enhanced transparency is likely to be beneficial to users provided that they do not become boilerplate disclosures.

5. Public Sector Organizations

Australasian Council of Auditors General (ACAG)

The IAASB is interested in perspectives about whether more information is needed in the auditor's report regarding fraud or going concern, and if so, further details about the transparency needed.

Current requirements are considered sufficient.

In addition, the IAASB is interested in perspectives about whether more transparency is needed with regard to communications with those charged with governance.

The current requirements are considered sufficient.

As noted above there is opportunity for more guidance for the auditor to state to TCWG what they have done in relation to fraud including cybersecurity, however TCWG should have to communicate what they have undertaken in the same manner.

There may be an opportunity to increase transparency and understanding of the scope of an audit by including summary information about the risk assessment made and procedures performed by the auditor with respect to going concern, consistent with how the matter might be described if it were a key audit matter. In effect, this level of information may already be provided in KAM reports where there is uncertainty about going concern (where the reporting requirements of ISA 570 do not apply) but which is a KAM. Given that IAS 1 Presentation of Financial Statements already requires suitable disclosure by the auditee in the financial statements where there is a material uncertainty, we considers there is little scope for the auditor to present more information about the material uncertainties as primary responsibility falls upon the financial statement preparer and it would not be appropriate, unless it was the basis for a qualification, for the auditor to present additional information about the auditees' financial performance and position.

The auditor should be providing to those charged with governance communication about what an auditor is required to do to mitigate the risk and there should be more disclosure by Directors about how they have assessed and determined that the entity is a going concern and will remain so for the foreseeable future

6. Professional Accountancy and Other Professional Organizations

American Institute of Certified Public Accountants (AICPA)

Additional transparency in the auditor's report with respect to the evaluation of going concern performed by management or other work outside of the auditor's purview may be more confusing than helpful to the users of the financial statements and auditor's report. We encourage the IAASB to undertake appropriate outreach and research before making decisions on this type of additional transparency.

AU-C section 570 includes application material indicating that if the entity has included such a disclosure in the financial statements, and the auditor concludes that substantial doubt has been alleviated by management's plans and adequate disclosure has been made in the financial statements then the auditor may include an emphasis-of-matter paragraph in the auditor's report making reference to management's disclosure.

CPA Australia (CPAA)

We do not see the need for additional wording in the auditor's report regarding the consideration of fraud or going concern where there is no impact to report. In this case the wording would become boilerplate and not provide much information value to users. However, where a MURGC is reported, we suggest that the MURGC paragraph in the auditor's report either reflect the same level of detail as would be contained in a KAM, or a KAM on the MURGC be permitted in addition to the MURGC paragraph to indicate the importance of the uncertainty.

We query whether users understand the variety of different paragraphs which may be contained within the auditor's report. In particular, we understand that the difference between KAM and MURGC, and particularly their relative importance or severity, may not be well understood by users. We suggest that consideration be given to either combining KAM and MURGC so that if a MURGC exists it will always be a KAM or allowing both paragraphs to be used for the same matter with cross-references, as KAMs contain greater detail regarding the uncertainty.

We consider that there is sufficient transparency in relation to the auditor's work on going concern and further wording in the auditor's report would only become boilerplate.

We would support allowing KAMs to include going concern even if it is already raised in a MURGC paragraph, as KAMs typically provide more information than a MURGC paragraph. This may diminish the perceived importance of a MURGC, which should be of greater concern to users than a KAM.

The accounting standards need to be enhanced with respect to the going concern assessment. They need to provide the sort of details which are currently only contained within the auditing standards. We suggest that the IAASB urge the IASB to address this matter.

Enhance current standards to address the knowledge gap by allowing communication of the auditor's work on going concern in Key Audit Matters (KAMs), even if a material uncertainty related to going concern (MURGC) is reported under an appropriately titled paragraph, as the KAM can provide greater detail regarding the matters which the auditor considered than would be the case in the MURGC paragraph. This could be informative for users.

Whilst further explanation could be included in the auditor's report on the work undertaken with respect to fraud or going concern, we don't see that this would provide significant value if it is always required, as it will become boilerplate unless it reflects additional requirements which the auditor needs to address.

9. Individuals and Others

Alvaro Fonseca Vivas (AFV)

As in the previous point, if transparency is good as the good faith of the auditor's work is what he develops and based on his moral and ethical values, but it is important that at least it is clearly established how I use or apply the procedures in the audited area and what weaknesses it finds in them to improve in subsequent visits or to the same client or other clients, but it is important to emphasize that this is important for the recommendations or suggestions and in supporting the opinion or qualifications of the Final report that will be discussed with the client's administration and will help to improve the procedures and internal controls of the same and the ongoing business as established by international standards.

Q3ci.4 - No comment

3. National Audit Standard Setters

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

Japanese Institute of Certified Public Accountants (JICPA)

4. Accounting Firms

Moore (MGN)

6. Professional Accountancy and Other Professional Organizations

Belgian National Chapter of Transparency International (BNCTI)

Center for Audit Quality (CAQ)

European Audit Committee Leadership Network (EACLN)

International Air Transport Association (IATA)

PIRC

9. Individuals and Others

Ahmed Al-Qawasmi (AAQ)

Dmitrii Timofeev (DT)

Michael Bradbury (MB)

The Unlimited (TU)