

Question 3(c)(ii) – Do you believe more transparency is needed about going concern, outside of the auditor’s work relating to going concern.

- 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?**

Q3cii.1 - YesIf yes, what further information should be provided, where should this information be provided, and what action is required

Q3cii.1 - Yes - Possible updates to accounting framework should be considered

1. Monitoring Group

Basel Committee on Banking Supervision (BCBS)

The Committee agrees that there are parties other than the IAASB that play an important role in contributing to high-quality financial reporting. The Committee encourages the IAASB to continue its dialogue with accounting standard setters and others that may be able to enhance requirements for preparers of financial

statements and those charged with governance, including the disclosures they need to make, on both fraud and going concern.

The Committee believes that information about management’s assessment of risks and vulnerabilities to an entity’s existence, fully described by management and properly challenged, assessed and reported upon by auditors, would be beneficial to users of financial statements.

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 Forum of Independent Audit Regulators (IFIAR)

We reiterate that the objective of the audit of financial statements by the external auditor is to assess whether, in their opinion, the entity’s financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. We appreciate that it would be challenging for an auditor to be required to go beyond auditing how management has applied the requirements of the applicable financial reporting framework. A greater impact on the quality of going concern assessments and the related audit procedures will be realized when both the accounting and auditing standards have been updated. In that context we suggest the IAASB explore with accounting standard setters, including the International Accounting Standards Board, whether the current interplay of the International Financial Reporting Standards and the International Standards on Auditing best serve justified stakeholder interest or whether enhancements to the financial reporting framework should be pursued.

International Organization of Securities Commissions (IOSCO)

Concurrent with the IAASB’s Auditor Reporting project that concluded in 2015, we note that ISA 570 was revised. We question whether these revisions were sufficient to address the interactions between standards on auditing and the relevant financial reporting framework requirements (e.g. IFRS).

The connection between ISA 570.20 and IFRS resides in a July 2014 IFRS Interpretations Committee Agenda Decision (the AD) which concludes that the requirement to disclose significant judgments made by management (IAS 1.122) applies to going concern situations where there are mitigating factors which led to management’s conclusion that there is no material uncertainty relating to the entity’s ability to continue as a going concern. The interaction between these assurance requirements and IFRS reporting requirements has been documented in publications of the IAASB (Auditor Reporting on Going Concern, January 2015).

Based on our experience, we observe instances where the disclosures about these judgments are not provided. We further note that disclosures about the auditor evaluation of management’s disclosures (as required by Paragraph 20, A24 and A25 of ISA 570) are also not commonly found in auditor reports. It is our view that the authority of the expectation contained in the AD, as well as the lack of a clear and strong connection to paragraph 20 of ISA 570, are the primary reasons for the lack of high-quality financial reporting in “close calls” situations. Given the substantial economic challenges in the current environment, we are concerned that preparers and auditors may not focus to an appropriate degree on these important disclosures and audit reporting requirements.

We request the IAASB to consider additional requirements in this area, and work with the IASB to a greater extent, to achieve a stronger connection between ISA 570 and IFRS that might be similar to what exists between ISA 570 and U.S. GAAP (Presentation of Financial Statements—Going Concern (Subtopic 205-40)).

To further strengthen public confidence and contribute to overall financial stability, we also encourage the Board’s continued engagement with accounting standard setters (e.g., IASB) to ensure that a holistic approach is taken in relation to going concern that meets the expectations of all stakeholders in the financial reporting ecosystem. This will also be important in the interest of collaboration in order to answer the questions posed in the previous paragraph.

2. Regulators and Audit Oversight Authorities

Canadian Public Accountability Board (CPAB)

Definitions of material uncertainty and significant doubt

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

Relationship between the auditing and accounting standards

A greater impact on the quality of going concern assessments and the related audit procedures will be realized when both the accounting and auditing standards have been updated. The current guidance in IAS 1 is limited and the binary nature of the disclosure requirements around going concern need to be re-evaluated. More detailed guidance within the accounting standards would improve the auditor's ability to review and independently challenge management.

We encourage the IAASB to liaise with the International Accounting Standards Board to take action to improve the accounting standards.

Canadian Securities Administrators (CSA)

Consideration of the Accounting Framework

We think that any changes to the auditing standards should be considered in tandem with the relevant responsibilities of issuers in the applicable accounting framework. In this regard, we note that the auditor's requirements for "close call" going concern situations in ISA 570 – Going Concern do not adequately align with the accounting and disclosure requirements in IFRS.

As part of the auditor reporting project that was concluded in 2015, the IAASB revised ISA 570 – Going Concern regarding the auditor's work effort in relation to the IFRS framework (i.e., auditors are required to evaluate the adequacy of disclosures in the "close call" situations in view of the requirements of the applicable financial reporting framework). However, because the requirement for issuers to disclose the close calls is only explicitly expressed in an IFRIC agenda decision (which has less prominence compared to the authoritative standards), we have found that some auditors do not adequately assess these disclosures and are concerned that entities may not be aware they need to provide them. Indeed, in the course of our regulatory reviews, we have observed limited instances of "close call" judgements disclosure in the financial statements. As a next step, we think that the IASB should revise the main body of IAS 1 – Presentation of financial statements to explicitly require close call significant judgements disclosure. We note that U.S. GAAP contains explicit requirements in this regard, and that the New Zealand Accounting Standards Board has proposed clarifications along these lines.

Committee of European Auditing Oversight Bodies (CEAOB)

Expanding the role of the auditor

Expanding the role of the auditor in relation to going concern should be further explored by the IAASB. This would first require actions from accounting standard setters and regulators in order for auditors to be able to perform procedures on new requirements for management and/or TCWG in this area. However, the auditor should not be required to assess information that management would not be supposed to take into

consideration when assessing the entity's ability to continue as a going concern for preparing the financial statements.

Financial Reporting Council (FRC)

In the UK, under the applicable accounting frameworks, directors are required to make an assessment of going concern. However, these frameworks provide little guidance on how this assessment should be made or the level of detailed analysis that may be required to make the assessment. We have heard stakeholder concerns that accounting standards need to give more guidance to the preparers of financial reporting. In 2014, the FRC was in favour of IASB proposals to amend IAS 1 to provide guidance concerning disclosures around material uncertainties about going concern, and convergence of accounting and auditing standards to provide a common understanding of material uncertainties relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. The FRC was disappointed that these proposals were abandoned but are encouraged, given recent stakeholder concerns and the extension of accounting and disclosure requirements in Australia and New Zealand, that the IASB may revisit this. We strongly encourage the IAASB to seek to liaise with the IASB to achieve consistency in the international auditing and accounting standards.

Whether the concept of, and requirements related to, a material uncertainty in the auditing standards is sufficiently aligned with the requirements in the international accounting standards.

As stated in our response to Q1(b), in 2014, the FRC was in favour of IASB proposals to amend IAS 1 to provide guidance concerning disclosures around material uncertainties about going concern, and convergence of accounting and auditing standards to provide a common understanding of material uncertainties relating to events or conditions that may cast significant doubt on an entities ability to continue as a going concern. The FRC was disappointed that these proposals were abandoned but are encouraged, given recent stakeholder concerns and the extension of accounting and disclosure requirements in Australia and New Zealand, that the IASB may revisit this. We strongly encourage the IAASB to seek to liaise with the IASB to achieve consistency in the international auditing and accounting standards.

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Independent Regulatory Board for Auditors (IRBA)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Irish Auditing and Accounting Supervisory Authority (IAASA).pdf

Expanding the role of the auditor

Expanding the role of the auditor in relation to going concern should be further explored by the IAASB. This would first require actions from accounting standard setters and regulators in order for auditors to be able to perform procedures on new requirements for management and/or TCWG in this area. However, the auditor should not be required to assess information that management would not be expected to take into consideration when assessing the entity's ability to continue as a going concern in preparing the financial statements.

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

In addition, the IAASB is interested in perspectives about whether the concept of, and requirements related to, a material uncertainty in the auditing standards is sufficiently aligned with the requirements in the international accounting standards.

The Accounting and Auditing standards are not currently aligned and this needs to be addressed. Disclosure requirements should be mandated by Accounting standards and the Auditing standards should require the auditor to conclude if the financial statements have been prepared, in all material respects, in accordance with the financial reporting framework. Refer to question 1b for further details.

Management and TCWG are responsible for managing the entity in their day-to-day decisions to ensure the entity remains a going concern, annual going concern assessments supporting the preparation basis of their annual financial statements, and the related disclosures to inform users of their circumstances. We have received feedback that the responsibilities for going concern assessments and disclosure requirements in the financial statements are not consistently understood and / or applied by management and TCWG. There is variability and inconsistency in the robustness of these assessments and the quality of relevant financial statement disclosures.

As detailed in our response to question 1(a) the IAASB is encouraged to engage with the IASB in relation to more granular requirements in the Accounting Standards for management and TCWG given the fundamental criticality of this subject matter. This should include:

Reconsider the definition of going concern and whether it remains fit for purpose.

Provide guidance on qualitative and quantitative factors to consider when interpreting the going concern definition. The existing 3 limb definition "intention to liquidate, intention to cease trading, or no realistic alternative but to do so" remains open to significant interpretational differences and in the absence of guidance or tests to meet these limbs, inconsistency prevails. Modern markets have a range of entity status, from the advent of 'start-ups', to exploration, to operational, to run-off, to closure, to dormant. The existing definition of going concern provides little to no context to this range and the variability of criteria applicable when assessing an appropriate basis of preparation, such that users understand the risks.

Minimum requirements on how to perform robust going concern assessments and quality of sources of information underlying these. We consider liquidity to be a key feature of assessments and the expansion of these concepts to be useful for preparers. The critical importance of quantifiable measurement criteria has the opportunity to move going concern disclosures to beyond the preparer's desired story or attestations about their business, to true insights on the business model and its risks. Similar to other Accounting Standards, this allows a clear pathway for preparers to aim for, ie compliance with the standard, by meeting those measurement/minimum requirements, and auditors to assess against. If the Accounting Standards have not then been followed, the auditor has a basis for communicating the non-compliance, in a similar manner to, for instance non-compliance with other financial statement account items.

Explicit financial statement disclosure requirements for all scenarios on the spectrum of risk i.e.:

where there is a very limited risk in relation to going concern;

there are indicators of a going concern risk however a MURGC does not exist;

a MURGC exists and the key events which resulted in this conclusion; and

the going concern basis of preparation is not appropriate.

The nature of financial statement disclosures to be considered should extend to recent experience of indicators of stress, calculated from the last financial year results, to risks impacting the going concern forecast period. Readers could benefit from more granular indicators to draw a picture of the business model, risks and dependencies, such as days outstanding creditor payments, loss of key customers etc, as they impact recent results and forecast amounts. Key indicators such as these are used by our stock exchange to assess the spectrum of risks.

The standards to include adequate and consistent definitions for a MURGC and the inability to continue as a going concern, and guidance to support more consistent application of these concepts.

We also consider that it is important that the IASB provide guidance on an alternate basis of preparation when the going concern basis of accounting is not appropriate.

The AUASB considers that there is a performance gap, not only for auditors, but also for preparers of financial statements which needs to be addressed through greater education and enhanced Accounting Standard requirements. Whilst acknowledging that auditors could do more to improve how going concern related audit issues are addressed, the AUASB received feedback that the main issue driving the performance gap is the inconsistency in how management / TCWG fulfil their responsibilities when making going concern assessments, and ensuring fulsome disclosure of significant judgements and assumptions to keep users informed on matters relevant to going concern. The Accounting Standards need to be enhanced using a multi-layered approach, covering definitional issues, measurement expectations for a going concern assessment, and more explicit disclosure requirements of key matters relevant to the going concern assessment and whether a MURGC exists.

The Accounting and Auditing Standards should be better aligned. Management / TCWG also need more detailed requirements and / or guidance on how to make going concern assessments including how to identify whether there is a material uncertainty, how to determine if an entity is not a going concern, and a framework for reporting when the going concern basis is not appropriate.

The AUASB considers that there is a performance gap, not only for auditors, but also for preparers of financial statements which needs to be addressed through greater education and enhanced Accounting Standard requirements. Whilst acknowledging that auditors could do more to improve how going concern related audit issues are addressed, the AUASB received feedback that the main issue driving the performance gap is the inconsistency in how management / TCWG fulfil their responsibilities when making going concern assessments, and ensuring fulsome disclosure of significant judgements and assumptions to keep users informed on matters relevant to going concern. The Accounting Standards need to be enhanced using a multi-layered approach, covering definitional issues, measurement expectations for a going concern assessment, and more explicit disclosure requirements of key matters relevant to the going concern assessment and whether a MURGC exists.

The Accounting and Auditing Standards should be better aligned. Management / TCWG also need more detailed requirements and / or guidance on how to make going concern assessments including how to

identify whether there is a material uncertainty, how to determine if an entity is not a going concern, and a framework for reporting when the going concern basis is not appropriate.

There is acknowledgement that the public expectation in relation to going concern has evolved and the AUASB is supportive of consideration as to whether more reporting by entities on other concepts of resilience and longer-term viability would be beneficial to users. The IAASB is encouraged to further engage with users and TCWG about the type of reporting that would meet user needs, balanced with what TCWG believe they can meaningfully provide given the inherent difficulties in predicting the future.

This reporting could either be in the financial statements which would require the IASB to include in their standards, or outside the financial statements and legislated through another mechanism. Then consideration as to the auditor's responsibility and to the level of assurance provided or read and consider for inconsistencies (ie. Other information).

We would urge the IAASB to engage with the IASB, and other relevant stakeholders, on how the reporting and auditing requirements relating to going concern can be better aligned.

Canadian Auditing and Assurance Standards Board (AASB)

As indicated in our response to Q3(a), there are many areas relating to going concern outside of the auditor's work that can be enhanced with the development of new regulatory and financial reporting requirements that better meet users' needs.

For going concern:

encouraging accounting standard setters, including the International Accounting Standards Board (IASB), to clarify what is meant by "material uncertainty relating to going concern" in their financial reporting frameworks; and

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

With regard to the company's future viability, the current work of companies and auditors on going concern includes looking 12 months ahead. We acknowledge that shareholders seek more insight into a company's future viability than is currently provided for in accounting and auditing standards. To meet this expectation, companies should be required to include more detail in the disclosures on going concern assumptions and also, for example in management commentary, on the main risks that impact the viability of the business over the longer term. If such information were to be required, the auditor's role could be further extended to cover these statements. However, the auditor would not be able to issue any conclusion beyond the management/governance declaration period. Nevertheless, it is important to note that the further into the future management or the auditor look, the less reliable the assumptions will be.

With regard to the company's future viability, the current work of companies and auditors on going concern includes looking 12 months ahead. We acknowledge that shareholders seek more insight into a company's future viability than is currently provided for in accounting and auditing standards. To meet this expectation, companies should be required to include more detail in the disclosures on going concern assumptions and also, for example in management commentary, on the main risks that impact the viability of the business over the longer term. If such information were to be required, the auditor's role could be further extended to cover these statements. However, the auditor would not be able to issue any conclusion beyond the management/governance declaration period. Nevertheless, it is important to note that the further into the future management or the auditor look, the less reliable the assumptions will be.

It is important to emphasize that the primary responsibilities for the accuracy of the financial statements of a company, including the assessment of its ability to continue as a going concern, lies with the management and boards of the company. We consider that more detailed disclosures should be required from management to explain why the entity is a going concern according to their assessment. We acknowledge that such requirements are outside the scope of the IAASB's standard setting and that enhanced disclosures within the purview of accounting standards. We consider that the IAASB should thus get in touch with the IASB on this issue.

It is important to emphasize that the primary responsibilities for the accuracy of the financial statements of a company, including the assessment of its ability to continue as a going concern, lies with the management and boards of the company. We consider that more detailed disclosures should be required from management to explain why the entity is a going concern according to their assessment. We acknowledge that such requirements are outside the scope of the IAASB's standard setting and that enhanced disclosures within the purview of accounting standards. We consider that the IAASB should thus get in touch with the IASB on this issue.

Hong Kong Institute of Certified Public Accountants (HKICPA)

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

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

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

For the reasons noted in our response to (a), improving transparency in auditors' reports may require financial reporting frameworks to require additional disclosures related to going concern and fraud by management in the financial statements, which we understand is unlikely to occur in the short or medium-term – if at all.

The IAASB is interested in perspectives on what more is needed to narrow the knowledge gap with regard to the meaning of material uncertainty related to going concern, to enable more consistent interpretation of the concept.

The underlying problem with the clarity of the meaning of material uncertainty related to going concern and the related knowledge gap is the fact that what “going concern” and “material uncertainty” mean depends upon the requirements of the applicable financial reporting framework.

The fact that financial reporting frameworks deal with going concern differently and with different meanings (see, for example, the differences between the current requirements in IAS 1 and the FASB requirements in the U.S.) leads to a conundrum for the IAASB as an international standard setter in seeking to write an ISA 570 that is neutral with respect to financial reporting frameworks, and accounts for the lack of a definitions section in that standard for meaning of “going concern” and “material uncertainty”, etc. Nevertheless, the importance of going concern issues to the very reason for having stakeholders require audits of financial statements causes stakeholders to seek to misuse the IAASB as a “repair shop” for deficient accounting standards in relation to going concern.

In conclusion, we note that the IAPC and then the IAASB had chosen to use IAS 1 as a base for the going concern concepts used in ISA 570, regardless of other financial reporting frameworks. Consequently, if greater clarity about the meaning of these concepts is desired, such clarity ought to be provided by the IASB. If no project is forthcoming from the IASB on this matter in the near future, which is very likely, the IAASB may need to consider whether using IAS 1 as a base is still appropriate and whether another financial reporting framework provides more and better guidance that the IAASB can adopt. Concepts that require clarification and delineation from one another include: “going concern”, “the ability of the entity to continue as a going concern”, “going concern basis of accounting”, and “material uncertainty”, and the “normal course of business”.

As we note in our response to the perspective under Question 1 (b), the IAPC/IAASB had used IAS 1 as a basis for the treatment of going concern in ISA 570. Consequently, with one exception, ISA 570 is in line with the wording in IAS 1. However, as we note in our response to the perspective under Question 1 (b), this does not resolve the ambiguities within IAS 1 that therefore also exist in ISA 570.

The one crucial exception to the alignment of ISA 570 with IAS 1 with respect to wording is in paragraphs 2 and 19 (b) of ISA 570, in which reference is made to the going concern basis of accounting relating to the entity being able to, and a material uncertainty meaning the entity may be unable to, respectively, “realize its assets and discharge its liabilities in the normal course of business”. This wording was originally adapted from the AICPA Auditing Standards and does not stem from IAS 1. These variances in wording from IAS 1 cause further ambiguity as to the meaning of “going concern” and “material uncertainty”. We note that the wording originally taken from the AICPA Auditing Standards at the time actually reflects what “going concern” has always meant in common law jurisdictions until the advent of IAS 1 (and in the U.S. the redefinition of going concern by the FASB much later).

In line with our response immediately above and in our response to the perspective under Question 1 (b), we believe that the going concern and material uncertainty concepts need to be less ambiguous. To this effect, changes would be needed to IAS 1 and other accounting standards in the short to medium term, but we believe this to be unlikely.

Unless financial reporting frameworks were to add or include other concepts, such as resilience, we believe that, given the IAASB’s remit for the ISAs, such other concepts cannot be included within a financial statement audit. Rather, if such concepts are not included in financial reporting frameworks, then the

required audit scope can only be extended to such concepts through legislators or appropriately legally empowered regulators.

We believe that that the IAASB might wish to consider exploring whether further transparency in the auditor's report about the auditor's conclusions with respect to the appropriateness of the going concern basis of accounting and the existence of a material uncertainty might be appropriate to reduce the knowledge gap even when the former is appropriate and the latter does not exist. However, as noted in our response to the evolution gap in question 1 (a), since an audit of financial statements is an attestation engagement due to independence requirements, such auditor assertions in the auditor's report are predicated upon financial reporting frameworks actually requiring management assertions in the financial statements about the appropriateness of the going concern basis of accounting and the conclusion that a material uncertainty does not exist. Without such management assertions in the financial statements, additional assertions in this respect would not be appropriate.

Since those charged with governance are responsible for overseeing management's assessment of the ability of the entity to continue as a going concern, consideration may also be given to having auditors provide more information to those charged with governance about the auditor's evaluation of management's assessment.

We very much believe that management needs to include much more information in the notes to the financial statements about its assessment of whether the going concern basis of accounting is appropriate and whether a material uncertainty exists. However, this would need to be required by the applicable financial reporting framework.

Korean Institute of Certified Public Accountants (KICPA)

(KICPA response) The obligation of an entity and its management to assess its ability to continue as a going concern

In addition, if an entity provides following objective information to information users in the notes the financial statements, along with explanations as to the material uncertainty related to going concern, it would contribute to narrowing the knowledge gap, in terms of uncertainty about the entity's ability to continue as a going concern.

Whether there is a debt whose maturity and obligation are due in 12 months,

An entity's plan on repayment and extension of maturity of the above debt,

Basis of the management's judgements as to why the above repayment and extension plan is feasible,

Other considerations that could impact the going concern assumptions; and

Basis of the management's judgements on other considerations that are not material (possibility of occurrence, amounts etc.)

The paragraph 20 of the ISAs 570 requires auditors to "evaluate whether financial statements provide adequate disclosures of events or conditions of close call," while financial reporting frameworks, such as IASs, do not require the disclosure of close call.

If IFRSs require that the management's assessments on the rationality of going concern be disclosed in the notes to the financial statements, it would lead to actual assessment of the management on the entity's ability to continue as a going concern, while at the same time the auditor's evaluation would be performed in

a more effective manner. Given the effectiveness, we would like to suggest that financial reporting frameworks, such as IFRSs, should require the disclosure of close calls first.

(KICPA response) As we believe, the IAASB could consider the obligation of the management's assessment be explicitly enhanced within the ISAs, while specific circumstances in which the assessment is exempted be included in the ISAs or the assessment be obliged to the TCWG.

(KICPA response) Enhanced requirements on the entity's obligation of assessing going concern is prerequisite to auditors' evaluation of the management's assessment of going concern in a practical manner, which requires the enhancement of the obligation of the management and TCWG to assess the entity's ability to continue as a going concern.

Malaysian Institute of Accountants (MIA)

As mentioned earlier, the preparers and other stakeholders should be better guided by an accounting standard on going concern and we suggest that the IAASB should consider working closely with the IASB in setting expectation on both auditing and accounting standards on going concern.

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Consistent with our earlier responses, we recommend that the IAASB should engage the IASB to enhance the accounting standard in relation to going concern. In addition, we also believe that more application guidance in the accounting and auditing standards relating to going concern will be helpful to preparers and auditors of financial statements.

Hence, for any efforts to change on the auditing standards relating to going concern, there should be a corresponding change on the accounting standards. Auditors should not be expecting to disclose matters in addition to those that have been reported by TCWG in the financial statements.

The IAASB and other regulatory bodies should engage with key stakeholders of financial reporting as, although the auditor plays an important role in detecting material fraud, the public should be educated to understand the nature of work of the auditors relating to fraud and that the prevention and detection of fraud within an organisation is primarily the responsibility of management under the oversight of TCWG.

Unlike the auditing standard (ISA 570) which is quite comprehensive, there are minimal requirements in the accounting standard (IAS 1 Presentation of Financial Statements) to govern the management's assessment and disclosures relating to going concern.

The management's assessment of an entity's ability to continue as a going concern involves making judgment, at a particular point in time, about uncertain future outcomes of events or conditions. Subsequent events may also result in outcomes that are inconsistent with judgments that were reasonable at the time they were made. Sometimes, the public may fail to understand this matter and do not take into consideration the period of assessment covered by the management and auditor in the going concern assessment.

We continue to reiterate that it is important to look into enhancements to the accounting framework first to address the gap between the information that an entity discloses about its going concern assessment and the information stakeholders need to understand the viability of an entity. The auditor's responsibilities should then be re-examined in light of any enhancements made.

We recommend that the IAASB engage with the International Accounting Standards Board (IASB) to commence a project to clarify going concern requirements in International Financial Reporting Standards. At the moment, there are only two paragraphs on going concern disclosure in IAS 1 as compared to a separate auditing standard dealing with going concern in the form of ISA 570. An issue of such importance should be further guided by accounting standards as going concern is a fundamental concept in financial reporting.

Preparers may not have given sufficient focus and attention on going concern in their financial reporting function other than when required by auditors, as auditors have a particular auditing standard in guiding going concern assessment. The unintended consequence is the wrong perception that auditors have the primary responsibility to report on going concern issues, as evidenced by the negative publicity on auditors whenever there are corporate failures.

The preparers and other stakeholders should be better guided by an accounting standard on going concern. For example, there should be:

consistent guidance with regards to the meaning of MUGC and the difference between the material uncertainty threshold and liquidation basis of accounting threshold, to enable more consistent interpretation of the concept.

clarity for what has to be disclosed when material uncertainty exists, or even making it mandatory for disclosure about the conclusion, regardless of whether there is material uncertainty on the events or condition that affect the going concern basis of preparation by a reporting entity.

further guidance on the period covered by the management in the going concern assessment.

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

The NZAuASB considers that the public interest would be best served if the auditing and accounting standard setters work closely together to consider the spectrum of circumstances relating to going concern reporting from: very low risk; through increasing uncertainty up to the close call stage; where a material uncertainty exists and where it is no longer considered to be appropriate to use the going concern basis of preparation.

We encourage the accounting and auditing standard setters to agree definitions for key cross over points on this spectrum and agree the triggers for disclosure at each of these stages and then reassess the auditor's responsibilities at each stage, depending on the applicable disclosure requirements. This work needs to happen in tandem, and therefore on balance the NZAuASB recommends that the focus be on a collaborative effort, not the ISAs in isolation. It is not appropriate to address this issue through the auditing standards without changes to the financial reporting requirements.

The NZAuASB encourages the IAASB to continue to explore a collaborative approach with accounting standard setters and regulators to develop a more holistic solution for addressing the expectation gap by management, those charged with governance, the regulator and the auditor related to going concern. The going concern basis of accounting is likely to be too narrow a construct to meet users' needs, and it is possible that the expectation gap will widen in the short term. The XRB, as an organisation, considers that broader reporting, in a more holistic way, is the first step to narrowing the expectation gap, but it will take time to get there.

The NZAuASB considers that the public interest would be best served if the auditing and accounting standard setters work closely together to consider the spectrum of circumstances relating to going concern reporting from: very low risk; through increasing uncertainty up to the close call stage; where a material

uncertainty exists and where it is no longer considered to be appropriate to use the going concern basis of preparation.

As part of the XRB's response to the COVID-19 pandemic, we developed guidance to educate the entire financial reporting ecosystem on the respective responsibilities of management, those charged with governance and auditors related to going concern. An unexpected benefit of the COVID pandemic, is the close focus on going concern matters, requiring in depth discussions between auditor, management and those charged with governance and an increasing awareness of the respective responsibilities while reiterating the need for auditor independence. Preparers are disclosing more than they have in the past, in the COVID environment. It will be important to capture the benefits of this response in the longer term so that these disclosures are made more routinely. Ongoing education across the reporting ecosystem of these respective responsibilities through various economic cycles will be useful.

The NZASB has also developed additional reporting requirements relating to going concern for preparers and New Zealand stakeholders commented that even more is needed. We recognise that this is mostly outside of the scope of the IAASB's standard setting work.

More requirements or guidance for the preparer (and users) as to what "going concern" means, what is a material uncertainty, what is a close call, how to make this assessment and what to disclose is seen as the matter requiring the most urgent attention. More specifically, the NZAuASB considers that it is in the public interest to clarify what is, and what is not, meant by "going concern" and how matters related to liquidity, solvency and information about an entity's resilience fit with the concept of the going concern basis of accounting for all stakeholders. The IAASB has an important role to play in ensuring that changes for preparers align with the auditor's responsibilities or amending or clarifying the auditor's responsibilities in conjunction with changes for preparers, while remaining independent from the accounting standards board.

While there may be enhancements that could be made to the auditing standards, the NZAuASB does not consider that changes to the auditing standards are the priority. Rather we encourage the IAASB to work with the accounting standard setters and others to enhance the reporting requirements to clarify the concept of going concern across all of the standards in the public interest.

Practitioners comment that in many instances, the preparer is not aware of their obligations and responsibilities to assess the appropriateness of the ongoing use of the going concern basis of preparation, especially in smaller entities. The auditor is therefore in a position where they are educating the preparer on their responsibilities in the first instance. In this sense, we understand that practitioners consider that there is a performance gap by directors and management that needs to be addressed as a priority.

In respect of going concern, the NZAuASB recommends that the public interest would be best served by the auditing and accounting standard setters working collaboratively. Enhancing the reporting requirements should be a priority together with ongoing education across the ecosystem of the respective responsibilities. The NZAuASB recommends that the IAASB focus on collaboration with reporting standard setters rather than on the auditing standards in the first instance, because the NZAuASB considers there are limitations on how the auditing standards can be enhanced while the disclosure requirements are not explicit.

Practitioners have commented that in many instances, the auditor is taking on the role of educator to the preparer about their responsibilities. This tends to drive the preparer to develop their thinking around providing evidence for the auditor, rather than matters they are primarily responsible for.

There are limitations on how good the audit can get, given these inherent limitations, and the NZAuASB is strongly supportive of a focus on management disclosures as a priority in addressing the public interest issues identified in the paper.

Royal Netherlands Institute of Chartered Accountants (NBA)

As mentioned above (see Q3 c(i)), entities should disclose more information related to going concern in the annual report. If accounting standards do not require this explicitly, then the auditor should nevertheless insist on this information be disclosed as the entity should report on material risks.

Entities should report more clearly about going concern and going concern issues. They should adequately disclose in the annual report going concern risks, various scenario's and controls. Then it is possible for the auditor to emphasize this in the auditor's report and/or to have a key audit matter. However, various financial reporting frameworks only require to report explicitly if the going concern basis of accounting is no longer valid. If they do not report on this, the auditor should report this in the other information section in the auditor's report by using ISA 720.

The same reporting structure as for fraud issues as mentioned above (see Q2d) could be useful for relevant going concern issues:

Report from the management and those charged with governance regarding going concern status and going concern issues as part of the management's discussion and analysis in the annual report;

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

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

4. Accounting Firms

BDO International Limited (BDO)

The quality of financial statements disclosures surrounding going concern could be improved (which may be more of a matter for the IASB rather than IAASB) so that, particularly for small and medium-sized entities, the information provided is less standardized and provides greater value to users.

One of the other considerations we heard was how management can be encouraged to be proactive when making their going concern assessments and take greater responsibility for:

Identifying material uncertainties

Considering the potential impact of business risks disclosed within the annual report when making their going concern assessment, and

Drafting the going concern disclosures at an earlier stage of the financial reporting process.

In our view, it is more important for the IAASB to consider (in consultation with the IASB and other stakeholders in the financial reporting ecosystem) the informational needs of users of the financial statements, including consideration about minimum disclosures. This does give rise to questions about whether the definition of going concern from an accounting perspective is appropriate (or consistently understood) and indeed whether users of financial statements are actually more interested in other practical and more immediate measurements such as ‘viability’ or ‘solvency’.

Critical to greater transparency is the need to have greater consistency about the period of the going concern assessment made by management so that users - particularly in transnational entities - have a fuller understanding of the timeframe being considered. This is something that will require further engagement with accounting standards-setters and the IASB. As we noted earlier, there may also be other measures (viability, solvency, etc.) that may be more helpful for users of financial statements – so it is important that the IAASB’s ongoing engagement with this stakeholder group continues to establish their needs.

A key theme emerging from our discussions was the need to align or make clear the differences in applicable financial reporting frameworks (i.e. the starting and end points for going concern, the impact of accounting standards, identified responsibilities on management/TCWG with respect to going concern).

A key theme emerging from our discussions was the need to align or make clear the differences in applicable financial reporting frameworks (i.e. the starting and end points for going concern, the impact of accounting standards, identified responsibilities on management/TCWG with respect to going concern).

Improving the collective understanding of what is going concern by all stakeholders in the financial reporting ecosystem and what is a material uncertainty related to going concern. This would necessarily involve engagement with accounting standards-setters, which could improve performance of the going concern assessment by management, Those Charged with Governance and auditors.

Deloitte (DTTL).pdf

DTTL believes the International Accounting Standards Board (“IASB”) (and where needed, other accounting standard setters around the world) should provide clarity in the requirements and definitions within International Financial Reporting Standards (“IFRS Standards”) (and where needed, other accounting standards) related to management’s assessment of the entity’s ability to continue as a going concern, as well as specificity and expansion of disclosure requirements to provide users with more insights into an entity’s expected future performance (specifically related to management’s assessment of going concern).

Instead of requiring additional material in the auditor’s report, DTTL believes that including a clear framework and requirements in IFRS Standards (and where needed, other accounting standards) would assist in reducing the expectation gap related to going concern.

Auditor’s reports referring to the ISAs currently include statements regarding:

Management’s responsibility to assess 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 is required to include a description of when the use of the going concern basis of accounting is appropriate.

The auditor’s responsibility 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 still cause an entity to cease to continue as a going concern.

These statements help provide transparency into both management and the auditor's responsibility, but as previously mentioned, inconsistencies can exist given the lack of consistent application and interpretation of existing accounting standards as there is no clear definition in IFRS Standards as to what constitutes a material uncertainty related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. Instead of requiring additional material in the auditor's report, DTTL believes that including a clear framework and requirements in IFRS Standards would assist in reducing the expectation gap related to going concern.

Ernst and Young (EY)

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.

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

Yes. Refer to our response to Q1(b) in which we recommend the IASB commence a project to clarify going concern requirements in IFRS.

To address these gaps and because there is an interrelationship with accounting frameworks as it relates to addressing auditor responsibilities for going concern, we recommend that the IAASB engage with the IASB on the importance of commencing a project to clarify going concern requirements in IFRS. Although we believe there are opportunities for the IAASB to enhance auditor responsibilities related to going concern independently of how it is dealt with in the financial statements, enhancements to accounting frameworks would facilitate a more robust basis for the auditor's responsibilities related to going concern.

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

International Accounting Standard (IAS) 1, Presentation of Financial Statements, requires management to make an assessment of the entity's ability to continue as a going concern when preparing the financial statements and requires management to disclose material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, when management is aware of such uncertainties. This requirement does not drive transparency about the viability of the entity as it sets the threshold for requiring disclosures specific to going concern very high.

Going concern

We believe that the “Knowledge Gap” and the “Evolution Gap” as outlined in the Discussion Paper are the main contributors to the expectation gap relating to going concern in an audit of financial statements.

International Accounting Standard (IAS) 1, Presentation of Financial Statements, requires management to make an assessment of the entity’s ability to continue as a going concern when preparing the financial statements and requires management to disclose material uncertainties related to events or conditions that may cast significant doubt upon the entity’s ability to continue as a going concern, when management is aware of such uncertainties. This requirement does not drive transparency about the viability of the entity as it sets the threshold for requiring disclosures specific to going concern very high.

The expectations of the users of the financial statements have clearly evolved. Users expect greater transparency to better enable them to understand how management performed their going concern assessment and the relevant events, conditions and assumptions that were included. This has become increasingly clear over the past year. During this period, regulators have stressed the need for entities to be transparent in their corporate reporting, including financial statement disclosures, about the effects of COVID-19 on their business and its future viability. This past year has stress-tested current accounting requirements around going concern and, in our view, has evidenced the need for formal consideration of whether accounting and auditing frameworks remain fit-for-purpose as they relate to addressing and assessing an entity’s ability to continue as a going concern.

Consistent with our responses to Q1(a) and Q1(b), we believe that meaningful change in addressing the expectation gap related to going concern needs to involve enhancements to accounting frameworks.

To address the gaps affected by the accounting standards, we recommend that the IAASB engage with the IASB on the importance of commencing a project to clarify going concern requirements in IFRS. In 2012 – 2014, the IFRS Interpretations Committee and the IASB considered whether to develop additional guidance with respect to going concern-related disclosures, either in the form of amendments to IAS 1 Presentation of Financial Statements or in the form of an agenda decision, but decided not to do so. One of the main reasons for this conclusion was that they believed the issue could be better addressed through local regulatory or audit guidance. In January 2021, the IASB also issued educational material on going concern, highlighting the current requirement under IFRS and identified Going Concern as a potential agenda item in the upcoming agenda consultation of the IASB.

Considering recent economic developments as highlighted above, we believe it is justified for the IASB to revisit the IAS requirements that address going concern. In that case, the following may be considered:

The difference between the material uncertainty threshold and liquidation basis of accounting threshold. Currently perceptions may exist that the disclosure of a material uncertainty may become a self-fulfilling prophecy of an entity’s failure

The threshold(s) for when disclosures about the entity’s ability to continue as a going concern, and management’s assessment thereof, are required

The location of the going concern disclosures, in particular whether there is a need to present in one place all information relevant to the going concern assessment

The entity-specific information to disclose about going concern (e.g., events and conditions identified, significant assumptions)

The period covered by the going concern assessment

GTI

We also highlight the importance of the role of management and those charged with governance. When considering aspects of fraud, the preparation of the financial statements on the going concern basis of accounting, and where relevant, the assessment of the entity's future viability, management and those charged with governance have 'to go first.' That is, they are responsible for implementing the appropriate mechanisms and controls to prevent and detect fraud, for selecting the appropriate accounting policies, for performing a robust analysis of the entity's ability to continue as a going concern and for making the appropriate disclosures in the financial statements, as required by the applicable financial reporting framework. It is therefore imperative that financial reporting frameworks and local law and regulation require these actions of management and those charged with governance along with robust and fulsome disclosures in the financial statements.

We are of the view that the current interpretations of going concern are misunderstood, in part because of the differing terms and in part because of the expectation gaps as discussed in question 1 above. The going concern concept is confusing given it is a forward-looking statement that is not the main purpose of an audit of financial statements; however, it forms the basis on how many amounts within the financial statements are valued. This is further confused by reporting on material uncertainties that may cast significant doubt on an entity's ability to continue as a going concern. Additionally, a number of jurisdictions require reporting on the financial health or viability of the entity. The difference between this and the going concern basis of accounting is also not well understood by many within the financial reporting ecosystem.

We are of the view that further education of the users and preparers of the financial statements on the concepts of going concern, financial viability and the respective responsibilities of management or those charged with governance and of the auditor in relation to going concern and financial viability would be helpful. This course of action does not rest solely with the IAASB and would require the input of others such as regulators, member bodies and accounting standard setters in order to reach the targeted stakeholders.

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

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

We note that one of the key issues in the previous revisions to ISA 570 (Revised) was the limitations imposed by the lack of change in what is required of management in relation to its assessment of the appropriateness of the going concern basis of accounting in the preparation of the financial statements and

its consideration of whether a material uncertainty that casts significant doubt on the entities ability to continue as a going concern exists. Given that there has been no subsequent progress in this area, it would appear premature to revisit the auditing standard without first contemplating changes in the requirements of financial reporting frameworks. In this regard, we would recommend that stakeholders encourage the International Accounting Standards Board to consider addressing going concern as part of its current work plan.

KPMG

The IAASB would need to work with other standard setters, in particular, financial reporting standard setters, e.g. IASB, to help ensure that concepts and requirements are clear and are aligned between ISAs and financial reporting standards.

Regarding going concern, we believe it is particularly important that where changes are made to the role and responsibilities of auditors, that these changes do not result in a misalignment with the role and responsibilities of management and those charged with governance, since they are ultimately responsible for establishing and maintaining a resilient business model and accordingly are best placed to make assessments in the area of going concern, and auditors to evaluate their assessment. We note that under the current framework, auditing standards are more prescriptive than financial reporting standards in some respects, and further increasing this asymmetry, by making changes to the auditing standards without corresponding changes to the financial reporting standards, may not be effective.

Therefore, in our view, any changes to certain requirements in the auditing standards, including information to be included in the auditor's report, may need to be predicated on corresponding and equivalent changes to financial reporting standards, e.g. IFRS Standards (in particular IAS 1), including changes to disclosure requirements. In addition, changes to certain requirements in the auditing standards, and the use of assurance engagements to report on an entity's internal control, would likely need related changes to legal/regulatory/ corporate governance framework requirements in many jurisdictions.

Similarly, we highlight that new information about going concern and fraud matters should not be introduced via the auditor's report, which is focused instead on clarifying what the auditor has done to evaluate management's assessment, and may provide commentary about procedures, but rather should be included in the financial statements themselves or the annual report more broadly.

However, we highlight that several aspects of ISA 570 (Revised) may give rise to inconsistency in interpretation/application in practice and therefore we recommend that the IAASB explore clarification of these areas, for ease and consistency of use. We set out our recommendations for exploration of potential clarifications below. In describing these, we emphasise that equivalent changes to both principles and terminology would need to be made to financial reporting standards, e.g. IFRS Standards (in particular, IAS 1), as well as legal/regulatory and corporate governance requirements directed at entities, so that these would be aligned and roles and responsibilities of different parties, including management and those charged with governance at entities, as well as regulators and others, would be appropriate and balanced across the financial reporting ecosystem.

We note that going concern requirements for auditors set out in the ISAs are currently more prescriptive than those for management/ those charged with governance, set out in financial reporting standards, and yet management/ those charged with governance are best placed to make assessments of going concern as a result of their detailed knowledge of the business, including future plans.

In relation to this, we further highlight that financial reporting standards (e.g. IFRS Standards) are limited in terms of the requirements/ guidance in respect of going concern. We recommend that the IAASB work with financial reporting standard setters, e.g. the IASB, and other bodies to explore this, including considering, in particular, enhancing disclosure requirements related to going concern to provide users with clear information, and to draw aspects of this together better in the financial statements to ‘tell the story’ for stakeholders in a more cohesive manner. Additionally, we recommend that regulatory bodies be encouraged to consider enhancing requirements regarding timely communication to the market regarding going concern/ solvency issues as such enhancements would better address stakeholder information needs.

In connection with this, it would be helpful for financial reporting standard setters to consider whether to require disclosure by entities that the financial statements are prepared on a going concern basis (when appropriate) unless management intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Another potential solution, which may be of greater benefit, is for financial reporting standard setters to introduce requirements into financial reporting standards for financial statements to state explicitly in the basis of preparation note why the going concern basis of preparation is used, i.e. that this is used unless management intends to liquidate the entity, or to cease operations, or has no realistic alternative but to do so, and disclosures regarding its assessment of the entity’s ability to continue as a going concern, so that the auditor’s report does not introduce new information about going concern, but rather provides commentary about how the auditor evaluated management’s assessment. Such disclosures by management could include their significant assumptions and judgements regarding their going concern assessment, so that the users are able to assess the reasonableness of these assumptions. Auditors may provide commentary about such matters as a KAM, if they determine this to be appropriate

Instead, we believe the emphasis should be on financial statement disclosures about key assumptions and judgements in making these determinations, and in the auditor’s report regarding the procedures performed and conclusions reached, where relevant. Care would also need to be taken to ensure that additional information provided with the aim of transparency does not give rise to confusion for users as to the overall conclusion of management and the auditor (when the going concern basis of preparation is appropriate but there are significant events or conditions that may cast significant doubt), which we believe should remain as a binary conclusion about whether the going concern basis of preparation is appropriate or not.

As we describe elsewhere in our response, we believe that certain changes to the role and responsibilities of auditors in respect of fraud and going concern need to be supported by complementary changes to requirements in respect of other key roles and responsibilities in the financial reporting ecosystem. Such changes need to be substantially aligned and need to be supported by clear frameworks for evaluation/ measurement of matters relating to fraud and going concern. We recognise that the introduction of legal/ regulatory/ corporate governance code requirements will take place on a jurisdiction by jurisdiction basis, with this evolution occurring at a different pace across different jurisdictions.

Therefore, we encourage the IAASB to reach out to and work closely with other bodies including financial reporting standard setters such as IASB, as well as national standard setters, bodies responsible for establishing legal and regulatory, and corporate governance, frameworks/requirements, on a global basis, in exploring this area and developing a suite of appropriate solutions. Such outreach and collaboration on a global basis will likely be challenging, but we consider it critical in order to drive the necessary improvements and improve public confidence in the global capital markets.

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;

The paper mentions that “Stakeholders seek more insight into a company’s future viability than is currently provided for in accounting and auditing standards.” (P 13) We believe that more insight, possibly through additional disclosures would be beneficial. Given that a company’s future viability, is connected to the resilience of the business model and corporate structure, both financial information and non-financial information should be considered for disclosure.

Mazars USA (MAZUSA)

We do believe that greater transparency of management’s assessment of the appropriateness of the going concern assumption in the disclosures to the financial statements would be beneficial to reducing the expectation gap. As discussed in our response to Question 1(b) above, enhanced disclosures around going concern might address both the key assumptions that support the conclusion as to the appropriateness of reporting on a going concern basis and greater transparency around management’s assessment of potential risks. When there is a close call, or the going concern basis is not warranted, additional disclosures of key assumptions around financial modeling may be appropriate. Expanded management disclosure, possibly leveraging the disclosure requirements under generally accepted accounting standards in the United States, may provide more context to the users of the financial statements enhancing their understanding of the basis for the auditor’s judgment as to the appropriateness of the going concern assumption, thus mitigating the need for more transparency regarding the auditor’s judgments. We recognize that disclosure requirements are outside of the purview of the Board, but it is an area where collaboration with relevant financial reporting standards setters would be beneficial given the differences in the standards across jurisdictions.

While we recognize that financial reporting standards and certain other disclosures required by regulators are not the purview of the IAASB, we believe that improving disclosures around fraud prevention and the consideration of the going concern assumption would assist with closing the expectation gap. Disclosure regarding fraud prevention might focus on detailing the client’s key processes, structure and controls that support the accurate reporting of financial information. Enhanced disclosures around going concern might address both the key assumptions that support the conclusion as to the appropriateness of reporting on a going concern basis and greater transparency around management’s assessment of potential risks. When there is a close call, or the going concern basis is not warranted, additional disclosures of key assumptions around financial modeling may be appropriate. Given management assessments of going concern vary widely in terms of approach and diligence, we believe that financial reporting standards globally should establish a more detailed, diligent financial reporting framework for management to follow in building their going concern analysis. We believe that convergence among regulators and financial reporting standard setters on these topics would benefit the users of the financial statements and assist in closing the expectation gap.

MHA Macintyre Hudson (MHA)

Requirements for management to disclose greater detail on going concern assumptions, modelling and reasoning

ensuring that any changes to the requirements of accounting and auditing standards are fully aligned.

MNP LLP (MNP)

We believe that management should be required to explain going concern in more detail to the users of the financial statements within the financial statements and potentially within their MD&A, if required. Currently IAS 1, Presentation of Financial Statements paragraph .25 states that “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. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepared the financial statements and the reason why the entity is not regarded as a going concern.” Management should be encouraged to reveal to the users of the financial statements more detailed and entity-specific information that will allow more transparency surrounding going concern.

Consistent with our response to Question 1 (b), additional transparency can be provided by:

The governing bodies of Corporate Directors can provide additional education and guidance to its members surrounding the going concern topic. Some of the larger reporting issuers often have internal audit programs that are used by experienced internal auditors who are members of governing bodies.

Securities regulators in several jurisdictions can require issuers to provide additional information in its MD&A section of their financial statements

Moore (MGN)

We believe that if understanding is part of the underlying cause of differing expectations, greater transparency could reduce expectation disconnects, so we would support the provision of additional and more meaningful disclosures from management – again, we accept that this is not an IAASB issue (although should accounting requirements change then the audit of additional disclosures would be).

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

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Nexia International (NI)

We also believe that the IAASB should encourage the IASB to enhance the requirements in accounting standards to disclose management's approach regarding the risk of fraud and the evaluation of going concern.

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However, although this gap has narrowed in recent years as accounting standards rather than only audit standards, address this topic, we do believe that IAS 1 could be much more detailed on when and how management report issues around going concern. The auditing standards provide more guidance, but this does not apply to management.

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

PricewaterhouseCoopers (PWC)

We do not believe that ISA 570 (Revised) is fundamentally broken in the context of the current financial reporting requirements and audit of the financial statements. This standard was updated by the Board in conjunction with the introduction of the enhanced auditor's report and the feedback from the AR PIR will provide important insight into how the changes with respect to reporting on going concern, specifically the new section on material uncertainties relating to going concern, have been received.

However, as explained in our covering letter, we believe stakeholders are seeking more insight into the risks facing a business and its future prospects. The auditor's responsibilities in this area could be expanded in conjunction with changes to the entity's financial reporting and disclosure requirements. If there is consensus on the information regarding business risks, going concern and viability that is needed by users, the respective responsibilities in relation to the information to be reported by management and those charged with governance, and related auditing regime, could be reformed. Entities will still fail. But providing stakeholders with the right information about the risks that could lead to failure may enable them to make better and more timely decisions about their relationship with the entity. This promotes a shared commitment to the quality of corporate reporting and is a holistic approach to addressing the expectation gap.

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

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However, as explained in our covering letter, we believe stakeholders are seeking more insight into the risks facing a business and its future prospects. The auditor's responsibilities in this area could be expanded in conjunction with changes to the entity's financial reporting and disclosure requirements. If there is consensus on the information regarding business risks, going concern and viability that is needed by users, the respective responsibilities in relation to the information to be reported by management and those charged with governance, and related auditing regime, could be reformed. Entities will still fail. But providing

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RSM International Limited (RSM)

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

We also recommend the IAASB collaborate with Accounting Standards setters to improve the financial statements disclosures upon which auditors express an opinion.

Yes, greater transparency would enhance users' understanding of the basis on which management made its assessment about "material uncertainties" and therefore the judgments made by the auditor. In our view, more information than is currently required by most financial reporting frameworks should be provided by management to set out the assumptions, methods and data which they have used in assessing going concern.

This would need to be a joint effort between the Accounting Standards setters and the IAASB to ensure a consistency of approach and to avoid the audit report disclosing information that is not also included in the financial statements.

5. Public Sector Organizations

Auditor General of South Africa (AGSA)

Increased reporting related to the primary responsibility of management and those charged with governance for the assessment of going concern and the prevention and detection of fraud may be considered as part of the annual report. This could include specifying who is responsible for these functions as well as cases of fraud identified and which actions or consequences have been taken in response. This may provide some relevant information to the public and also serve as a deterrent to those considering to commit fraud. This may be a matter for IPSASB/IASB to consider.

Australasian Council of Auditors General (ACAG)

If enhanced requirements were to be introduced it is appropriate that any enhanced requirements apply initially to management with regard to appropriate assessment and sufficient disclosure. In relation to auditors, the requirements are sufficient given there is an existing requirement to highlight an emphasis of matter in the auditor's report where there may be material uncertainty in relation going concern.

Narrowing the knowledge gap on the meaning of material uncertainty related to going concern

The requirements to under IAS 1 to disclose management's assumptions and judgements on going concern could be more specific. However, as the discussion paper identified, ISA 570 requires disclosure of the nature and implications of material uncertainty, which addresses the knowledge gap in some way.

Of note is the New Zealand Accounting Standards Board (NZASB) who has proposed additional disclosures in the financial statements relating to significant judgements and estimates regarding the appropriateness of the going concern assumptions, and additional disclosures where material uncertainties had been identified.

New Zealand Auditor General (NZAG)

In our view, the requirements placed on preparers to justify their use of the "going concern basis of accounting" as the basis for preparing their financial statements needs to be very clear. For example, the "resiliency statement" prepared by certain entities in the United Kingdom places greater demands on entity management and governors when asserting an entity is a going concern in the context of preparing the financial statements of the entity.

If a clear understanding is reached on what going concern means, in the context of an entity's financial statements, the entity will need to provide evidence (supported by suitable disclosures in the financial statements) that it is justified in asserting it is a going concern. This in turn provides the auditor with an appropriate platform from which to assess management's use of the going concern assumption.

Office of the Auditor General of Canada (OAGC)

Going concern, which underlies many accounting frameworks, is not always presented with explicit requirements for preparers of financial statements in accordance with the applicable financial reporting framework. We would encourage each accounting framework premised on this assumption to include explicit accounting and disclosure requirements to assist users in understanding the principle, its application, limitations and risks. Further, accounting frameworks do not consistently instruct the preparation of management statements of responsibility or their content which could further explain management's responsibilities with respect to going concern.

6. Professional Accountancy and Other Professional Organizations

Accountancy Europe (AE)

As the primary responsibility for assessing whether an entity is a going concern lies with management, more detailed and considered disclosures should be required from management to explain why the entity is a going concern according to their assessment. The appropriateness of preparing the financial statements on a going concern basis comes down to the reliability and relevance of the evidence regarding the assumptions made by management. We acknowledge that this is not in the remit of the IAASB's standard setting area and that part of the problem lies in the accounting standards, which present, for many right reasons, a low hurdle for an entity to be classified as a going concern.

American Institute of Certified Public Accountants (AICPA)

Disclosure requirements from the Financial Accounting Standards Board (FASB) include requirements for management to include disclosure in the notes to the financial statements, information when substantial doubt is raised but is alleviated by management's plans. This means, that when substantial doubt about an entity's ability to continue as a going concern is alleviated as a result of consideration of management's plans, the entity is required to disclose information that enables the users of the financial statements to understand (a) the principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans), (b) management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations, and (c) management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern.

Response: We believe that it is important for the financial reporting framework to have an appropriate benchmark for management to consider in determining the appropriate basis of accounting and relevant considerations for addressing uncertainty or doubt regarding the ability of that entity to continue as a going concern, when that basis is applied. From a U.S. perspective, enhancements by the Financial Accounting Standards Board (FASB) to establish a disclosure framework have served to provide helpful transparency about an entity's ability to continue as a going concern and related risks (for example, liquidity, financing and other risks that could adversely affect a company).

Belgian Institute of Registered Auditors (IBR-IRE)

We believe it is essential to develop principles and responsibilities, not only applicable to the auditor, but also enhancing the responsibilities of management, the board and the audit committee in accordance with the applicable framework. With respect to going concern, the financial reporting frameworks should also evolve to enhance the informational value of any disclosure provided. In the context of non-public interest entities and particularly of less complex entities (LCE), this will ask a certain level of (financial) knowledge of the members of the board of directors and of management.

Center for Audit Quality (CAQ)

As the primary responsibility for fraud deterrence and detection rests with management and those charged with governance, we believe that any potential solution should align with, and consider the efforts by, the International Accounting Standards Board (IASB) and International Ethics Standards Board for Accountants (IESBA), among others.

We believe that more transparency by management with respect to the basis of accounting used to prepare the financial statements as well as its going concern assessment would be useful. Insight into how management made its evaluation, including details such as the risk factors considered and the period for which management is considering their assessment, could benefit users by increasing transparency with respect to the significant judgments made relating to going concern, and where applicable, any events or conditions that have been identified that may cast doubt on the entity's ability to continue as a going concern and the basis for management's conclusion that a material uncertainty does not exist. We acknowledge that changes to disclosure requirements would mean revisions to the accounting standards by the IASB, and that such changes could not be directly implemented by the Board; however, we believe they could enhance transparency around management's responsibilities, resulting in greater understanding around the auditor's work.

We believe that the primary responsibility for assessing going concern rests with management as outlined in International Accounting Standard 1, Presentation of Financial Statements. The performance of audit procedures over a company's ability to continue as a going concern is inherently linked to management's evaluation and reporting requirements set forth in relevant financial reporting frameworks, where applicable. ISA 570 (Revised) is focused on the auditor's evaluation of the appropriateness of management's assessment of the entity's ability to continue as a going concern and the related disclosures. As such, we believe that having a robust set of requirements for management in the relevant financial reporting framework related to their evaluation of the entity's ability to continue as a going concern and disclosure of the significant judgments in making that evaluation is essential. For example, we believe that the lack of specificity in the IFRS accounting framework as to the period management considers in its going concern assessment and the lack of transparency of the liquidity and risk factors that impact an entity's ability to meet its obligations in the future are both factors that contribute to the expectation gap.

Certain regulatory regimes also require disclosures that complement management's going concern assessment, such as disclosures relating to risk factors, liquidity risk, financing plans, and forecasts. In the United States, SEC Regulation S-K requires additional transparency relating to risk factors associated with an entity's operations and results. Management's discussion and analysis of financial condition and results of operations also is required to include an assessment of the entity's liquidity. While unaudited, we believe these disclosures provide investors with meaningful information on which to assess an entity's forward-looking prospects.

We suggest the Board seek feedback from the IASB and consider whether any potential revisions to the international accounting standards are necessary to enhance the IFRS financial reporting framework with respect to 1) clarifying management's responsibilities with respect to its going concern assessment, and 2) enhancing management's reporting of their evaluation and conclusions related to material uncertainty about the entity's ability to continue as a going concern prior to assessing whether the auditor's requirements should be enhanced or expanded.

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We suggest the Board seek feedback from the IASB and consider whether any potential revisions to the international accounting standards are necessary to enhance the IFRS financial reporting framework with respect to 1) clarifying management's responsibilities with respect to its going concern assessment, and 2) enhancing management's reporting of their evaluation and conclusions related to material uncertainty about the entity's ability to continue as a going concern prior to assessing whether the auditor's requirements should be enhanced or expanded. In the absence of revisions to the international accounting standards to provide more clarity as to the going concern assessment period, the Board could consider whether there are changes to ISA 570 (Revised) that could assist with narrowing the expectation gap. For example, ISA 570 (Revised) could be revised to include a requirement for the auditor to assess the reasonableness of the period utilized by management in their going concern assessment.

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

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

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.

Clarity regarding the meaning of material uncertainty related to going concern

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

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

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

The concept of, and requirements related to, a material uncertainty in auditing standards should be more sufficiently aligned with the requirements in the international accounting standards

Our stakeholders noted that there's a need for the International Accounting Standards Board (IASB) to review the current IAS1, Presentation of Financial Statements, with regards to going concern, as the guidance is limited. More specifically, it was emphasised that there is a separate ISA dealing with going concern but when comes to the IASB standards, it is only addressed by two paragraphs within a standard. This highlights that in order to narrow the expectation gaps there need to be changes to the responsibilities and obligations of other stakeholders in the financial reporting ecosystem and that the IASB needs to address these issues.

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.

Clarify the accounting standards' definition of going concern. Until those charged with governance and preparers have clear and consistent practice in making their assessments of going concern, including implementing appropriate processes and internal controls in relation to the data they need to make their assessments, auditors can have limited impact on improving the management of going concern.

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As stated in our response to 3(a) above, we did not hear strong concerns about a performance gap in terms of ISA 570 but there are strong concerns around the differences in the accounting standard requirements versus the auditing standard requirements. Until the accounting standards requirements, and the responsibilities of preparers/TCWG, are remedied, there is little appetite for auditing standards change, including further enhancement of responsibilities. However, there was acknowledgement 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 to assist both listed entities and complex entities and LCEs.

Enhance the responsibilities of management and those charged with governance to manage, and provide transparent reporting over how they have managed, business risks related to financial reporting (including fraud) and other areas which maybe be of interest to stakeholders.

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.

The following should be noted if disclosures per US GAAP should be adopted:

Under US GAAP, certain disclosures are required when management initially identifies conditions or events that raise substantial doubt about an entity's ability to continue as a going concern within one year after the financial statements are issued (or available to be issued, when applicable) but concludes that its plans alleviate substantial doubt. There is no disclosure requirement under IFRS for similar circumstances.

If, after considering management's plans, substantial doubt about an entity's ability to continue as a going concern is alleviated as a result of consideration of management's plans, an entity must disclose in the footnotes information that enables users of the financial statements to understand all the following (or refer to similar information disclosed elsewhere in the footnotes):

Principal conditions or events that raised substantial doubt about the entity's ability to continue as a going concern (before consideration of management's plans)

Management's evaluation of the significance of those conditions or events in relation to the entity's ability to meet its obligations

Management's plans that alleviated substantial doubt about the entity's ability to continue as a going concern

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.

CPA Australia (CPAA)

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.

The international accounting (financial reporting) standards are not aligned to the auditing standards in this regard. We note that the NZASB is addressing this anomaly by amending their standards to align with the auditing standards, which are more fulsome. We suggest that the IASB be encouraged to do likewise, as the reporting framework defined by the accounting standards, should provide the criteria for the audit rather than the auditing standards addressing omissions in the reporting framework.

Federacion Argentina de Consejos Profesionales de Ciencias (FACP)

Management should also communicate the evaluation of the going concern principle and the assumptions and estimates contemplated in the analysis.

Institute of Chartered Accountants in England and Wales (ICAEW)

The starting point for a renewed debate on going concern issues should be with better and more graduated disclosure by companies of the threats to continuance as a going concern. This debate has already commenced in the context of viability reporting and predates the pandemic.

Auditor reporting on going concern issues is inextricably linked with management reporting on the same and we encourage IAASB to re-engage with the IASB on this issue to open up the debate on the time period to be considered in a going concern assessment, the limited options for reporting and the possibility of more nuanced reporting.

Reporting on going concern issues by companies and auditors can and should be better but finding a way forward will require determination, time and skill.

We believe that IAASB should also engage with those responsible for the regulation of companies and encourage a much more robust approach to going concern on the part of management.

Auditor reporting on going concern issues is inextricably linked with management reporting and we encourage IAASB to re-engage with the IASB on this issue. Despite the fact that viability reporting has not gained widespread traction globally, IAASB might consider elements of it in order to encourage companies and auditors to genuinely and confidently look beyond the one-year period currently circumscribing going concern assessments.

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

Institute of Chartered Accountants of Scotland (ICAS)

Going concern

On going concern, more could be required of the auditors in the shorter term. However, like fraud a holistic approach would be preferable with more being required in the first instance of directors. This would then provide a better foundation from which to build additional requirements for the auditor. Some stakeholders clearly believe that an auditor is providing a guarantee as to the continued existence of the audited entity, which can never be the case. Admittedly, part of the problem lies in the content of the accounting standards which present a low hurdle for an entity to be classed as a going concern, yet there is a high bar for directors having to disclose any “material uncertainties”. There is also a limited awareness of the language of going concern. Merely adding to the obligations on auditors would not address this expectation gap.

Over, the medium to longer-term there is a need for a more holistic assessment as to what is required in relation to going concern by stakeholders. As the primary responsibility for assessing whether an entity is a going concern lies with management, more detailed and considered disclosures should be required from the directors to explain why the entity is a going concern according to their assessment. The reliability and relevance of the evidence regarding the assumptions made by the directors is key. We acknowledge that

this is not in the remit of the IAASB's standard setting area and that part of the problem lies in the accounting standards, which present, for many right reasons, a low hurdle for an entity to be classified as a going concern. If such disclosures were to be required, it would be feasible to further extend the auditor's role regarding these statements.

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

It is clear that stakeholders in businesses require greater disclosure around the resilience of the business. Whether this is provided as part of the ESG reporting or as part of the financial reporting of the business can be deliberated.

Specifically, with regards to going concern, users of financial reports are looking for greater information around the resilience of the business – and this is a specific area that the IAASB could focus upon – with increased requirements for management reporting in this area, and increased requirements for the auditor's evaluation of this broader resilience information. Users of the financial statements are less interested in historic data but rather the future outlook of a company. Furthermore, the information currently embedded in the financial statements that might give clues as to the impact of the future on management's expectations are also not always entirely understood by the users. Additional disclosures should be encouraged where resilience is of concern

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.

Users would also benefit from disclosures explaining the solvency risk period that was assessed. Due to uncertainty around extended time periods, as a minimum, key risks to long term sustainability should be disclosed.

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)

While we encourage more transparency from the auditors, this can only be achieved if there are more detailed disclosures in the financial statements. Additional information on the entity's ability to continue as a going concern that would be useful to users of financial statements include:

Sufficiency of working capital to satisfy the entity's present cash flow requirements;

Assumptions used in the entity's assessment of its ability to operate as a going concern;

Sensitivity analysis on the entity's financials;

Plans put in place with regard to how the entity intends to fulfil its short-term obligations in the next twelve months; and

Whether the entity has renegotiated its facilities and/or been granted extension of time to meet its debt obligations. If so, disclose on whether the entity has fulfilled or is able to meet its debt obligations.

In this regard, the IAASB could consider working with the International Accounting Standards Board (IASB) on key relevant disclosures.

International Federation of Accountants (IFAC).pdf

The auditor's report includes the responsibilities of management and TCWG and already explains the auditor's responsibilities for the audit of financial statements, which includes the responsibility 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 company's ability to going concern etc.

As indicated above, changes to introduce further transparency would need alignment with the requirements of the applicable financial reporting framework. For example, for management to always provide detailed disclosures regarding its assessment of the entity's ability to continue as a going concern. The auditor's report could then describe the work performed by the auditor on management's assessment. We note the developments in the UK and the specificity now included in the auditor's report related to the responsibilities of the directors in selecting the appropriate basis and the auditor's responsibilities.

We strongly agree that each participant in the financial reporting ecosystem has an essential role that contributes to high-quality financial reporting.

Supplying original information is not the auditor's role and it is not appropriate for auditing standards to override the applicable financial reporting framework, which also stipulate the time period assessed. There would need to be a requirement for management to always provide detailed disclosures regarding its assessment of the entity's ability to continue as a going concern in order for the auditor to be able to offer any detailed observations on such disclosures. As noted in the DP, alignment would need to be retained between the requirements under the applicable financial reporting framework and the auditing standards. The IAASB may thus need to coordinate with the financial reporting standard setting bodies, such as IASB.

But management and TCWG bear the ultimate responsibility for recognizing material issues (whether identified during the audit or otherwise), notifying stakeholders, and taking appropriate mitigating action.

Kriton (KNL)

Do you believe more transparency is needed?

We support more comprehensive and concrete reporting by management and those charged with governance on principles used when applying the going-concern assumption. This can be included in the directors' report. 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.

We support more comprehensive and concrete reporting by management and those charged with governance on principles used when applying the going-concern assumption. This can be included in the directors' report.

Malaysian Institute of Certified Public Accountants (MICPA)

As indicated in our earlier responses, we recommend that the IAASB should continue to engage with the IASB to align and enhance the accounting standard in relation to going concern including disclosures on management's assessment of the entity's ability to continue as a going concern. In addition, we believe that more application guidance on the accounting and auditing standards relating to going concern will be helpful to preparers and auditors of financial statements.

Fundamentally, we believe stakeholders are seeking more insights into the risks facing a business and its future prospects.

Provided the information regarding business risks, going concern and viability that is sought for by users can be determined, the respective responsibilities in relation to the information to be reported by management and those charged with governance, and related auditing regime, could be aligned and reformed, if necessary. Additional disclosures that complement management's going concern assessment regarding the viability of a business together with the auditors' responsibilities around such disclosures are typically driven at the jurisdictional level and we recommend that the IAASB takes the need to drive these reforms with the relevant authorities.

As mentioned in our response to Question 1(b), the IAASB should similarly consider working closely with the International Accounting Standards Board ("IASB") to align the requirements and expectations around going concern in both the auditing and accounting standards. Some of the alignments/enhancements that can be considered include:

ISA 570 (Revised) Going Concern to include a requirement for the auditors to have a two-way communication with those charged with governance 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 as there is currently no such requirement.

Clarity on the term "foreseeable future" as this term is not defined within ISA 570 (Revised) Going Concern, but IAS 1 Presentation of Financial Statements deems foreseeable future to be a period of 12 months from the end of the reporting period. In light of the inherent limitations regarding forecasting into the future, we believe maintaining a 12 month period is appropriate, but perhaps the period should start from the date of approval of the financial statements.

Provide clearer linkage between ISA 570 (Revised) Going Concern to ISA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment particularly the importance of the auditors' robust understanding of the entity and its environment and to exercise professional skepticism in evaluating the management's going concern assessment.

With regard to going concern, unlike the auditing standard ISA 570 (Revised) Going Concern, which is quite comprehensive, there are minimal requirements in the accounting standard IAS 1 Presentation of Financial Statements to govern the management's assessment and disclosures related to going concern. Based on our observation, there is a lack of robustness in the management processes and controls for identifying and responding to the risks relating to fraud and going concern exacerbated by the lack of clarity on the responsibilities of those charged with governance in this process.

While it is therefore appropriate to consider whether there are ways in which the current auditing standards can be improved, it should be acknowledged that the root causes of the expectation gap and solutions to it are unlikely to be a function of the financial statement audit alone.

Our response to part (b) below and to the other questions explores further the interaction of the roles of others in the ecosystem and the IAASB and the types of broader responses that may be needed to “move the dial” to address the expectation gap relating to fraud and going concern in an audit of financial statements in an impactful and sustained manner.

Mexican Institute of Public Accountants (IMCP)

Disclosure requirements of financial reporting frameworks should be extended for specific cases in which there are elements that may affect the entity's ability to continue as a going concern, such is the case of entities with long-term debt for significant amounts, or companies whose income depends on the price of commodities and which can be affected by negative fluctuations in market prices. Although predictability is a characteristic of financial information, it is not possible to attribute to it the ability to predict everything that may occur.

To ask accounting standards issuers to issue clear and precise standards about management responsibility regarding fraud and going concern, including the corresponding disclosures in the financial statements.

Require entity's management to fully disclose its risk management policies and procedures in notes to the financial statements, emphasizing fraud and going concern.

To enhance disclosures on the financial statements regarding the assumption that the entity is a going concern. Those disclosures should include the management's methodology for its going concern determination, the period covered, and factors that could adversely affect such determination.

New York State Society of CPAs (NYSSCPA)

Another example of a significant improvement occurred in the US when the FASB issued ASU 2014-15, Presentation of Financial Statements – Going Concern (Subtopic 2015-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. The main provisions of the ASU clarify that responsibility for the going concern evaluation remains squarely into the hands of management who must make a focused, structured evaluation of the events or conditions that in the aggregate raise substantial doubt about the entity's ability to continue as a going concern (over a stipulated period). Management must also evaluate any mitigating factors, its remediation plans, and disclosure of such information. Equally significant is that the FASB set the standard for related disclosures thus providing auditors with a benchmark against which they may assess the adequacy of such disclosures. This approach is more focused and utilitarian.

REA Auditores - Consejo General de Economistas (REA)

The current regulations already require their communication, both in relation to the communications that must be maintained throughout the work with those charged with corporate governance, and in the audit report, where appropriate. It would be advisable for the entity's management to provide the auditor with a document with an analysis and assessment of the entity's ability to apply the going concern principle (see answer to question 3b).

South African Institute of Chartered Accountants (SAICA)

There is increasing demand for a longer-term, future-oriented view across a wider range of aspects of a company's performance, including non-financial information elements, the impacts of these different aspects and their interdependency with financial reporting. In connection with the above, there is increased stakeholder focus on the risks of climate change, environmental damage and societal issues, which have a close relationship with longer terms aspects of 'going concern' considerations, and such matters are likely to be in the spotlight more than ever as we emerge from the COVID-19 outbreak. As a result, there may be greater emphasis on reporting by companies that addresses their impacts and initiatives in relation to these overarching global concerns as a core feature impacting their market value. Such reporting by entities would provide important information to investors about the business model, key risks and uncertainties and their implications to the resilience of the entity in the longer-term. The IAASB, together with other relevant bodies, should explore the development a framework for such resilience/ viability measures, for reporting on by the entity and assurance by the auditor

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

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

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

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

Guidance should also be provided to the preparers of financial statements in the applicable financial reporting frameworks on how to perform going concern assessments based on the same type of forward-looking information. This is another example of an enhancement that should not only be made to the auditing process but also to the wider financial reporting ecosystem and it is SAICA's view is that the IAASB has the influence to initiate and lead these discussions.

Another issue for concern is the lack of linkages between going concern disclosures in the auditor's report and the level of disclosures provided in the financial statements on the going concern basis of accounting. There is often an expectation that the level of disclosures in the auditor's report and in the financial

statements would be similar, however, this is not usually the case. The relationship between the two sets of disclosures needs to be analysed and a determination needs to be made on whether this is a gap that the auditor or preparer needs to fill. There needs to be a balanced approach to disclosures in the auditor's report and disclosures made by management in the financial statements and transparency needs to be made by both parties. For example, financial reporting frameworks could be enhanced to require management to give more disclosures on the entity's business model, risks to continued operations and how these have been addressed by management and other similar issues that may be of concern to stakeholders. An imbalanced approach in the disclosure requirements for auditors and management will only lead to further widening of the expectation gap.

The Institute for the Accountancy Profession in Sweden (FAR)

The IAASB should promote requirement of additional disclosures by management (e.g., material changes in financial condition or operation, going concern risks prior to mitigation, and mitigation plans).

The IAASB should also consider promoting requirements for disclosure by management of longer-term viability assessments.

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.

We believe that the starting point should be the requirements on the companies concerning going concern. Enhanced requirements on them should then be reflected in the auditors' work. It is management's responsibility to assess the entity's ability to continue as a going concern and then prepare financial statements in accordance with that assessment. Management is also required to make disclosures about the existence and the nature of material uncertainties that can lead to significant doubts about the company as a going concern. The threshold for not preparing the financial statements on the basis of going concern is high why the importance of disclosures about the existence and the nature of material uncertainties that can lead to significant doubts about the company as a going concern is very important. It is also important to acknowledge that assessing the continuity of a company has its inherent limitations due to the fact that no one can predict future events with certainty. The auditor evaluates the assessments made by management and evaluates whether disclosures are correct and sufficient. We believe that focus on going concern should be on requirements on disclosures in the financial statements and the audit of these disclosures.

We believe that there is a need for revised accounting standards to require management to perform and document its assessment of the entity's ability to continue as a going concern for a period of twelve months from the financial statement issuance date, define "material uncertainty" and "significant doubt," and require specific disclosures. Any enhanced requirements for the auditor should be based on requirements on management to make disclosures in the financial statements. Clear and accurate information in the financial statements and the auditor's report will help stakeholders to make their own assessment of the company's continuance.

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

Management has the most relevant information to assess the entity's future performance, and a robust and balanced assessment of the entity's ability to continue as a going concern by management, and disclosure

of any uncertainties, provides the foundation for the auditor's procedures. Requirement for disclosure should be enhanced.

Wirtschaftsprüferkammer (WPK)

As the primary responsibility for assessing the going concern status lies in the hands of management (and those charged with governance), rather management should be obliged by respective requirements in the financial reporting standards to make a clear statement regarding Going Concern and substantiate its assessment.

Educational work in order to reduce the expectation gap (see question 1. (b)) and requirements in Financial Reporting Standards (see question 3. (a)) is needed.

7. Investors and Analysts

Corporate Reporting Users Forum (CRUF)

Question 3

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?

(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?

(ii) About going concern, outside of the auditor's work relating to going concern?

Regarding questions 3 (a) Yes and (c)(Conditionally) Yes. If an auditor provides a statement that there is a material uncertainty in relation to going concern, it certainly will have a significant impact on the company. As such, the auditor is expected to collect sufficient information and to have high skill to make this judgement. We would like to ask the IAASB to develop, and review in a timely manner, auditing standards with such expectation in mind, while responding to changes in the situation such as the Covid-19 pandemic. We would appreciate it if the IAASB could exemplify in the audit practice notes, a case where the period to consider the judgement of going concern needs to exceed 12 months from the end of the reporting period. If it is appropriate to prepare financial statements on the assumption of a going concern, but significant uncertainties exist, the rule mentions that the audit report should emphasize such significant uncertainties in the footnote. We would appreciate it if the IAASB coordinated with the IASB, regarding the treatment of the footnote.

8. Academics

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

In advance of addressing the specific questions, we note that going-concern disclosures are the domain of accounting standard setters, and that International Standards on Auditing should be framework neutral and should not extend requirements beyond those which are expected of management in the accounting standards. We encourage the IAASB to work closely with the IASB on this project. We note above the role of auditing in improving the quality of accounting information (see DeFond and Zhang 2014), but is assurance improving the quality of the right / best information? This is a question for the IASB, and we do

not comment further on matters that are within the remit of the IASB, except when they are also within the purview of the IAASB.

In advance of addressing the specific questions, we note that going-concern disclosures are the domain of accounting standard setters, and that International Standards on Auditing should be framework neutral and should not extend requirements beyond those which are expected of management in the accounting standards. We encourage the IAASB to work closely with the IASB on this project. We note above the role of auditing in improving the quality of accounting information (see DeFond and Zhang 2014), but is assurance improving the quality of the right / best information? This is a question for the IASB, and we do not comment further on matters that are within the remit of the IASB, except when they are also within the purview of the IAASB.

9. Individuals and Others

Christian Minarriz (CM)

Regulators- accounting standard setters (including IASB): provide more explicit requirements and guidance about the disclosures for “material uncertainty” and “close call”, including the definition of “Material uncertainty”

I think that audit requirements should be based on accounting requirements for going concern, so coordination with IASB is necessary. Incorporating additional concepts of “resilience” would not be appropriate unless those concepts are incorporated in financial statements (otherwise it would be expanding the scope of the audit)

Q3cii.1 - Yes If yes, what further information should be provided, where should this information be provided, and what action is required
Q3cii.2 - Yes - Other

4. Accounting Firms

PricewaterhouseCoopers (PWC)

See response to part (a). In addition, the IAASB should consider whether any changes to the reporting requirements under the ISRE standards may be appropriate in light of changes made to corporate reporting obligations within the overall ecosystem, in particular in respect of the identification and disclosure of material uncertainties.

Q3cii.2 - No
Q3cii - No - Requirements in accounting framework are sufficient

5. Public Sector Organizations

Australasian Council of Auditors General (ACAG)

In addition, the IAASB is interested in perspectives about whether the concept of, and requirements related to, a material uncertainty in the auditing standards is sufficiently aligned with the requirements in the international accounting standards.

Considered sufficiently aligned.

6. Professional Accountancy and Other Professional Organizations

CFO Forum

We believe that International Financial Reporting Standards (IFRSs) require management to sufficiently disclose going concern related matters and any associated material uncertainties or significant judgements. Considering our support to incorporate additional changes within the ISA's (refer to question 3(b)(iii)) together with the proposal for more transparency as detailed under question 3(c)(i), we do not consider it necessary for any further additional transparency to be provided.

Q3cii.3 - No comment

1. Monitoring Group

International Association of Insurance Supervisors (IAIS)

2. Regulators and Audit Oversight Authorities

National Association of State Boards of Accountancy (NASBA)

3. National Audit Standard Setters

Japanese Institute of Certified Public Accountants (JICPA)

4. Accounting Firms

CohnReznick (CR)

HLB International (HLB)

PKF International Limited (PKF)

SRA

5. Public Sector Organizations

US Government Accountability Office (GAO)

6. Professional Accountancy and Other Professional Organizations

Accountancy Europe (AE)

Belgian National Chapter of Transparency International (BNCTI)

Botswana Institute of Chartered Accountants (BICA)

European Audit Committee Leadership Network (EACLN)

Institute of Certified Public Accountants of Uganda (ICPAU)

Inter-American Accounting Association (IAA).pdf

International Air Transport Association (IATA)

PIRC

9. Individuals and Others

Ahmed Al-Qawasmi (AAQ)

Constantine Cotsilinis (CC)

Dmitrii Timofeev (DT)

Michael Bradbury (MB)

The Unlimited (TU)