

Going Concern

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Going Concern Task Force (GC TF) Chair

IAASB Meeting

June 13-17, 2022

Agenda: Selected Topics on Going Concern

Timeline Over
Which the Going
Concern
Assessment is
Made

Communication
with Those
Charged with
Governance
(TCWG)

Communication
with Appropriate
External Parties

Transparency
About Going
Concern in the
Auditor's Report

Non- Authoritative Guidance - FAQs

IAASB [DRAFT] Frequently Asked Questions
[Month] 2022

Reporting Going Concern Matters in the Auditor's Report

This publication has been developed by the Going Concern Task Force of the International Auditing and Assurance Standards Board (IAASB) to address some of the common questions in relation to the use of and the interrelationship of "Material Uncertainty Related to Going Concern" (MURGC) and Key Audit Matters (KAM) sections, and Emphasis of Matter (EOM) paragraphs, in the auditor's report prepared in accordance with International Standards on Auditing (ISAs).

This publication does not amend or override the International Standards on Auditing (ISAs), the texts of which alone are authoritative. The frequently asked questions are not meant to be exhaustive¹ and reading this publication is not a substitute for reading the ISAs.

Question 1 What is the purpose of MURGC and KAM sections and EOM paragraphs in the auditor's report?

The table below provides an overview of the purpose of MURGC and KAM sections and EOM paragraphs:

Heading	Purpose
Material Uncertainty Related to Going Concern²	► Applies if the auditor has concluded that a material uncertainty related to going concern exists, and for which adequate disclosure has been made in the financial statements. The use of a separate section that includes reference to the fact that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern is intended to give additional prominence to this information and alert users to this circumstance.
Key Audit Matters³	► Provides information to intended users to assist them in understanding those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period, including how such matters were addressed in the audit.
Emphasis of Matter⁴	► Establishes a mechanism for auditors to provide additional communication in the auditor's report, to draw users' attention to a matter(s) presented or disclosed in the financial statements that, in the auditor's judgment, is of

Update on Developments: Liaison and Engagement with Others

IASB

IASB decided not to add a project on going concern in its future workplan.

IAASB Chair sent a written response acknowledging the decision and expressing the desire to continue the dialogue on this topic.

IPSASB

Intends to approve a project proposal to revise IPSAS 1, *Presentation of Financial Statements* in early 2023

Matters for the IAASB Consideration



**Timeline Over
Which the Going
Concern
Assessment is
Made**

Question 1

The Board is asked for its views on the GC TF initial proposals for the timeline over which the going concern assessment is made discussed in paragraphs 12-25 above and as reflected in paragraphs 13A, 14A–14B and A11, A13A–A13C of **Agenda Item 5-A**.

Matters for the IAASB Consideration



Communication with Those Charged with Governance (TCWG)

Question 2

The Board is asked for its views on the GC TF initial proposals for communication with TCWG discussed in paragraphs 31-33 above and as reflected in paragraphs 25, A36A–A36C of **Agenda Item 5-A**.

Matters for the IAASB Consideration



Communication with Appropriate External Parties

Question 3

The Board is asked for its views on the GC TF initial proposals for communication with appropriate external parties discussed in paragraphs 38-39 above and as reflected in paragraphs 25A and A37A–A37D of **Agenda Item 5-A**.

Overarching Considerations: Transparency in the Auditor's Report

Focus on enhancements that are most relevant for intended users of audited financial statements

Develop proposals that consider the requirements in the applicable financial reporting framework for management's disclosures

Consider the relative impact that the proposals may have on different users

Promote global consistency and comparability across auditor's reports

Qualitative Standard-Setting Characteristics

Proportionality

- ▶ Relevant to audits of all entities, regardless of size or complexity
- ▶ However, certain aspects to apply only for audits of listed entities

Comparability and Consistency

Any commentary about going concern in a:

- ▶ Going Concern Section or
- ▶ MURGC Section

Overview of GC TF Proposals: Transparency in the Auditor's Report

Basis of Accounting is Appropriate

<i>Applicability</i>	Going Concern Section (No Material Uncertainty Exists)	MURGC Section (Material Uncertainty Exists)
All entities	<p>Explicit statements:</p> <ul style="list-style-type: none"> ▶ That management's use of the going concern basis of accounting is appropriate ▶ No material uncertainties related to events or conditions have been identified 	<p>In addition to the extant requirements, an explicit statement:</p> <ul style="list-style-type: none"> ▶ That management's use of the going concern basis of accounting is appropriate
Listed entities	<ul style="list-style-type: none"> ▶ Description of how the auditor addressed the events or conditions 	<ul style="list-style-type: none"> ▶ Description of how the auditor addressed the events or conditions

Matters for the IAASB Consideration



**Transparency
About Going
Concern in the
Auditor's Report:
Explicit Statements
(No Material
Uncertainty Exists)**

Question 4

The Board is asked for its views on the GC TF initial proposals for providing explicit statements on Going Concern in the auditor's report discussed in paragraphs 51-54 above and as reflected in paragraphs 21A and A27A of **Agenda Item 5-A**.

Matters for the IAASB Consideration



Transparency About Going Concern in the Auditor's Report:

Events or Conditions
Identified (No Material
Uncertainty Exists)

Question 5

The Board is asked for its views on the GC TF initial proposals for enhancing transparency in the auditor's report when events or conditions have been identified (no material uncertainty exists) discussed in paragraphs 55-66 above and as reflected in paragraphs 1, 21B and A1, A27B – A27E of **Agenda Item 5-A**.

Matters for the IAASB Consideration



Transparency About Going Concern in the Auditor's Report:

Enhanced
Informational Content
for MURGC (Material
Uncertainty Exists)

Question 6

The Board is asked for its views on the GC TF initial proposals for enhancing the informational content for MURGC paragraphs in the auditor's report as discussed in paragraphs 67-74 above and as reflected in paragraphs 22 and A27D – A27E of **Agenda Item 5-A**.

Matters for the IAASB Consideration



Non-Authoritative Guidance – FAQs

Question 7

The Board is asked for their views on whether the FAQs as set out in **Agenda Item 5-B** adequately respond to the key issues raised by respondents from the feedback?

Way Forward

Monitoring jurisdictional developments, ongoing dialogue and engagement with others in the financial reporting ecosystem

Q3 – Q4 2022:

- Development of exposure draft: IAASB deliberation of issues and proposals
- Coordination with other IAASB task forces and Consultation Groups

Q1 2023:

- IAASB approval of exposure draft (March 2023)

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