



January 29, 2021

International Auditing and Assurance Standards Board (IAASB)
Via electronic submission

Re: *Fraud and Going Concern in an Audit of Financial Statements*

Dear IAASB,

CohnReznick appreciates the opportunity to comment on the document: *Fraud and Going Concern in an Audit of Financial Statements*.

CohnReznick is the 14th largest accounting firm in the US, with its origins dating back to 1919. We support the IAASB in its overall efforts to serve the public interest by setting high-quality international standards for auditing, quality control, review, other assurance, and related services, and by facilitating the convergence of international and national standards. While our domestic and international capabilities (including through our Nexia International membership) allow us to serve a broad array of clients, we are a significant provider of services to the smaller and middle market. Our desire is that our response to the discussion paper will give you perspective into the unique impact these changes might have on small and medium size entities and their ability to attract capital.

Our responses to specific questions on which the IAASB is seeking comment are included in the attachment to this letter.

If you have any questions concerning our comments or would like to discuss any of our responses or recommendations in more detail, please feel free to contact Steven Morrison, Partner, Audit Quality Group, at +1.646.601.7740 or steven.morrison@cohnreznick.com.

Yours truly,

A handwritten signature in black ink that reads 'CohnReznick LLP'. The signature is written in a cursive, flowing style.

ATTACHMENT

CohnReznick comments on *Fraud and Going Concern in an Audit of Financial Statements*.

1. In regard to the expectation gap (see Section I):

a) What do you think is the main cause of the expectation gap relating to fraud and going concern in an audit of financial statements?

We believe a number of factors contribute to the expectation gap relating to fraud and going concern. Some of this expectation gap is perpetuated by litigators and regulators looking to assign blame for a perceived shortcoming, such as a high-profile restatement. We encourage the IAASB to work to narrow expectation gaps in existing standards but to not sacrifice audit quality.

b) In your view, what could be done, by the IAASB and / or others (please specify), to narrow the expectation gap related to fraud and going concern in an audit of financial statements?

We believe an advocacy effort by the IAASB targeted to management, investors, and governments may be appropriate. Such an effort may be a website written in plainly-spoken language with simple wording articulating what is and what is not the role of the auditor. Much of this will just be a recitation of the audit report itself, combined with an emphasis to the readers of the website to "Read the Report" to understand more.

We also believe the changes below to the auditor's report may narrow the expectation gap related to fraud and going concern:

Fraud

We believe users of ISA reports may benefit from a more-clear indication about the risk of not detecting a material misstatement from fraud. We suggest the requirements in AU-C 700.35 and related application guidance (ADDENDUM 1) be incorporated into ISA 700 thus providing a more transparent description for users of ISA reports.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

Going concern

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

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

While the above statement is accurate, we believe the statement contributes to an expectation gap by implying negative assurance about the entity's ability to continue as a going concern for a

reasonable period of time. That is, by indicating had the audit drawn attention to disclosures in the financial statements, that a material uncertainty exists, but if the auditor does not discuss a material uncertainty in the report, then a material uncertainty does not exist. We note that there is a corresponding responsibility of management indicated in ISA 700.33(b):

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

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

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

a) Should the auditor have enhanced or more requirements with regard to fraud in an audit of financial statements?

If yes, in what areas?

No, we do not believe the auditor should have enhanced or more requirements with regard to fraud in an audit of financial statements. Instead, we recommend the IAASB emphasize the concept of professional skepticism, similar to how the AICPA Auditing Standards Board (ASB) did in its recent update to AU-C 500 with various mentions and examples of the concept.

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

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.

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

c) Would requiring a "suspicious mindset" contribute to enhanced fraud identification when planning and performing the audit?

Why or why not?²

We believe a "suspicious mindset" may, but not definitely, contribute to enhanced fraud identification. However, we believe a shift to a "suspicious mindset" in practice may negatively affect audit quality. The overall objective of the auditor is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud. While a "suspicious mindset" may identify more fraud risk factors, we do not believe a "suspicious mindset" automatically leads to enhanced fraud identification and may lead to more audit effort expended on risks that do not have a reasonable possibility of a material misstatement. We also believe an auditor's focus should be on the financial statements and whether such financial statements are material misstated either by error or fraud. If an auditor expends a disproportionate amount of effort on fraud at the expense of consideration of error, the value of the audit may decrease in part because a misstated financial statement, whether by error or fraud, is still a misstated financial statement.

i. Should the IAASB enhance the auditor's considerations around fraud to include a "suspicious mindset"?

If yes, for all audits or only in some circumstances?

See our response to 2(c) above.

- d) **Do you believe more transparency is needed about the auditor’s work in relation to fraud 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.)?**

We believe more transparency may be appropriate and can be effectively and efficiently achieved by the IAASB adopting reporting requirements related to fraud similar to the AICPA’s. See our response to 1(b) above, specifically the “Fraud” section.

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?**

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

- i. AU-C 570.17 articulates the concept of obtaining sufficient appropriate audit evidence about “intent” and “ability” and the related application guidance provides context on the concept, thus provides useful guidance and some clarity to:
 - auditors
 - management (thus aiding the auditor in performing an effective and efficient audit)
 - users, thus helping to lower the expectation gap.
- ii. Also, the requirement to obtain written evidence of third-party support when third-party support is necessary in supporting management’s assertion about the entity’s ability to continue as a going concern for a reasonable period of time, contributes to the rigor of the audit and, by extension, the quality.

- 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**

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

- 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.)?**

See our response to 1(b) earlier in this letter.

- 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?**

See our response to 1(b) earlier in this letter.

4. **Are there any other matters the IAASB should consider as it progresses its work on fraud and going concern in an audit of financial statements?**

At this time we do not have any other matters the IAASB should consider relating to fraud and going concern. Given the size of US capital markets and the related robustness of the US legal environment, we recommend the IAASB obtain additional input from the AICPA ASB as the issues encountered by auditors in the US may be indicators of what non-US auditors may start experiencing in the next few years.

The IAASB is interested in perspectives about requiring the use of forensic specialists or other relevant specialists in a financial statement audit, and, if considered appropriate, in what circumstances the use of specialists should be required.

We believe the use of specialists should not be required. The objective of the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. In order to obtain reasonable assurance, an auditor may feel it is necessary to use the work of an individual or organization in a field of expertise other than accounting or auditing. We feel the consideration of forensic specialists is already considered in ISA 620 or, in regard to a management specialist, in ISA 500. Requiring a “forensic specialist” may be problematic as the definition of a “forensic specialist” is broad and may not contribute to the auditor obtaining reasonable assurance. Instead, we believe the current construct of the ISAs is appropriate in allowing an auditor to use a forensic specialist, as appropriate, to respond to risks of material misstatement and enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor’s opinion.

As the world is changing and non-material frauds are becoming more prevalent, the IAASB would like to explore whether more needs to be done in relation to non-material frauds identified. As such, the IAASB is interested in perspectives about the perceived responsibilities of the auditor regarding non-material fraud in a financial statement audit (i.e., a broader focus on fraud) and what additional procedures, if any, may be appropriate. The IAASB is also interested in perspectives about whether additional audit procedures should be required when a non-material fraud is identified, and if so, what types of procedures.

We believe the objective of an audit should remain to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. We have concerns that if an auditor expends disproportionate audit effort on non-material frauds and related procedures, that the risk of a material misstatement in the financial statements not being detected, such as by error, or a different and more material fraud, may increase. Such would not be in the public interest. We believe the current construct of ISA 240 is appropriate overall, for risk identification related to fraud.

The IAASB is interested in perspectives on whether enough emphasis is placed on the auditor’s responsibilities around fraud related to third parties. We are also interested in feedback about the auditor’s role in relation to third party fraud that does not result in a material misstatement of the financial statements but may have a severely negative impact on the entity (e.g., cybercrime attacks).

We believe enough emphasis is placed on the auditor’s responsibilities around fraud related to third parties. We encourage the IAASB to consider interpretive guidance in regard to fraud. By providing examples of simple and complex frauds, along with how these frauds may affect risk assessment and an auditor’s response, may provide appropriate real-world guidance to auditors of substantially all experience levels.

As articulated in the question, we do not believe audit procedures should be designed to detect fraud that is not directly related to risks of material misstatement. The overall objective of the auditor is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to error or fraud. If the auditor is focused on risks not associated with the financial statements, the risk of the auditor not detecting a material misstatement in the financial statements may increase, thus eroding audit quality and possibly harming the public interest. Also, the user’s perception of what an audit is and is not may become blurred and harm the Profession and the user community.

The IAASB is interested in perspectives on whether additional engagement quality control review procedures specifically focused on the engagement team’s responsibilities relating to fraud should be considered for audits of financial statements of listed entities, and those other engagements, if any, for which the firm has determined an engagement quality control review is required.

We do not believe additional engagement quality control review (EQCR) procedures specifically focused on the engagement team’s responsibilities relating to fraud should be considered for audits of financial statements of listed entities, and those other engagements, for which an EQCR is required by a firm. We believe the current EQCR requirements are appropriate as is and caution the IAASB that

being overly prescriptive in EQCR requirements could perpetuate a “checklist mentality” among EQCRs and thus erode audit quality, which would not be in the public interest.

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 twelve months, and therefore whether auditors should be required to consider this longer time period in their assessment, beyond the current required period. If stakeholders believe a longer timeframe should be required, alignment will need to be retained between the requirements under the applicable financial reporting framework and the auditing standards in order for auditors to be able to adequately perform their procedures.

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

The IAASB is interested in perspectives about whether changes are needed with regard to going concern and other concepts of resilience (within the purview of the IAASB’s remit).

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

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

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

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.

See our response to the perspective immediately above this one and also to 3(a) earlier in this letter.

The IAASB is interested in perspectives about whether more is needed related to professional skepticism when undertaking procedures with regard to fraud and going concern and what additional procedures, if any, may be appropriate.

We encourage the IAASB to consider the following:

- i. **Recently issued AICPA SAS 142.** We recommend the IAASB emphasize the concept of professional skepticism, similar to how the AICPA Auditing Standards Board (ASB) did in its recent update to AU-C 500 with various mentions and examples of the concept.
- ii. **Further enabling professional skepticism.** We recommend the IAASB look to AU-C 570, specifically:
 - a. AU-C 570.17 articulates the concept of obtaining sufficient appropriate audit evidence about “intent” and “ability” and the related application guidance provides context on the concept, thus provides useful guidance and some clarity to:
 - i. auditors
 - ii. management (thus aiding the auditor in performing an effective and efficient audit)
 - iii. users, thus helping to lower the expectation gap.
 - b. Also, the requirement to obtain written evidence of third-party support when third-party support is necessary in supporting management’s assertion about the entity’s

ability to continue as a going concern for a reasonable period of time, contributes to the rigor of the audit and, by extension, the quality.

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

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

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

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

ADDENDUM 1, AU-C 700

.35 This section of the auditor's report should do the following: (Ref: par. .A43)

- a. State that the objectives of the auditor are to
 - i. obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and (Ref: par. .A44)
 - ii. issue an auditor's report that includes the auditor's opinion.
- b. State that reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. (Ref: par. .A45)
- b. State that the risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- c. State that misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.⁸ (Ref: par. .A46)

⁸ Paragraph .02 of section 320, *Materiality in Planning and Performing an Audit*.

Auditor's Responsibilities for the Audit of the Financial Statements (Ref: par. .34–.37)

.A43 The description of the auditor's responsibilities as required by paragraphs .34–.37 of this section may be tailored to reflect the specific nature of the entity, for example, when the auditor's report addresses consolidated financial statements.

.A44 Objectives of the Auditor (Ref: par. .35a–c). The auditor's report explains that the objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes the auditor's opinion. These objectives are in contrast to management's responsibilities for the preparation and fair presentation of the financial statements.

.A45 Because the auditor's opinion is based on obtaining reasonable assurance, the auditor's report does not constitute a guarantee. Because of the inherent limitation of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with GAAS. Accordingly, the subsequent discovery of a material misstatement of the financial statements resulting from fraud or error does not by itself indicate a failure to conduct an audit in accordance with GAAS.²⁴

²⁴ Paragraph .A56 of section 200 and paragraph .10d of section 210.

.A46 When the applicable financial reporting framework defines materiality differently from the definition in section 320, *Materiality in Planning and Performing an Audit*, the auditor's report may need to reflect the definition or description of materiality from the applicable financial reporting framework.

ADDENDUM 2, AU-C 570

Financial Support by Third Parties or the Entity's Owner-Manager

.17 When management's plans include financial support by third parties or the entity's owner-manager (hereinafter referred to as "supporting parties") and such support is necessary in supporting management's assertions about the entity's ability to continue as a going concern for a reasonable period of time, the auditor should obtain sufficient appropriate audit evidence about the following:

- a. The intent of such supporting parties to provide the necessary financial support, including written evidence of such intent, and (Ref: par. .A32–.A37)
- b. The ability of such supporting parties to provide the necessary financial support (Ref: par. .A24, .A38)

The failure to obtain the written evidence required by item (a) constitutes a lack of sufficient appropriate audit evidence regarding the intent of the supporting parties to provide financial support. Therefore, the auditor should conclude that management's plans are insufficient to alleviate the determination that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time. (Ref: par. .A32–.A34)

.A24 Financial support by owner-managers is often important to smaller entities' ability to continue as a going concern. When a smaller entity is largely financed by a loan from the owner-manager, it may be important that these funds are not withdrawn. For example, the continuance of a smaller entity in financial difficulty may be dependent on the owner-manager subordinating a loan to the entity in favor of banks or other creditors, or the owner-manager supporting a loan for the entity by providing a guarantee with the owner-manager's personal assets as collateral. See paragraphs .A32–.A38 for further guidance about financial support from the owner-manager.

Financial Support by Third Parties or the Entity's Owner-Manager

Intent

Support Letters or Written Confirmations

.A32 The auditor's evaluation of the support letter (as further described in paragraph .A33) or written confirmation includes consideration of the terms and conditions of the commitment and may include, as applicable, considerations of the legality and enforceability of the commitments.

.A33 The intent of supporting parties to provide the necessary financial support may be evidenced by either of the following:

- a. Obtaining from management written evidence of a commitment from the supporting party to provide or maintain the necessary financial support (sometimes referred to as a "support letter").
- b. Confirming directly with the supporting parties (as described in paragraph .A35) the existence of commitments to provide or maintain the necessary financial support. Confirmation may be necessary if management only has oral evidence of such financial support.

.A34 When the financial support is provided by an owner-manager, the evidence regarding intent may be in the form of a support letter or a written representation.²⁹

²⁹ See section 580, *Written Representations* .

Obtaining Written Confirmations

.A35 If the auditor obtains a support letter as described in paragraph .A33a, the auditor may still request a written confirmation in accordance with section 505, *External Confirmations* , from the supporting parties regarding the contents of the support letter. For example, such written confirmation may be requested when, in the auditor's professional judgment, a written confirmation is necessary to determine the validity of the support letter as well as the accuracy and completeness of the related terms and conditions.

Illustration of the Third-Party Support Letter

.A36 The purpose of the support letter from supporting parties is to provide sufficient appropriate audit evidence about the supporting parties' intent to provide financial support to the entity. The support letter may also include additional material facts and circumstances that may be pertinent to the determination of whether substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time. The following is an illustration of a support letter that may be requested from the supporting parties when the applicable financial reporting framework is FASB ASC. The illustrative wording also includes an assertion about the supporting party's ability to provide financial support, but such wording does not, by itself, provide sufficient appropriate audit evidence regarding ability.

(Supporting party name) will, and has the ability to, fully support the operating, investing, and financing activities of *(entity name)* through at least one year and a day beyond [insert date]³⁰ *(the date the financial statements are issued or available for issuance, when applicable)*.

³⁰ See paragraph .A37.

Depending on the facts and circumstances, this written support letter may be adapted, for example, by adding the following wording:

This also applies to any amounts that may ultimately be due to the Internal Revenue Service as a result of the recent judgment against (*entity name*) and also applies should (*entity name's*) debt not be refinanced when the debt becomes due in the next year.

.A37 In accordance with section 700, *Forming an Opinion and Reporting on Financial Statements*, or section 703, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*, the auditor is required to date the auditor's report no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements.³¹ Accordingly, in order to cover the assessment period required by the applicable financial reporting framework, the support letter or the written confirmation defines a specific date through which the supporting party intends to provide support. For example, for financial statements prepared in accordance with FASB ASC, the date would be a year and a day beyond the date that the financial statements are issued (or available to be issued, when applicable). Specifying a date in the support letter or written confirmation that is later than the expected date that the financial statements will be issued (or will be available to be issued, when applicable) may obviate the need to obtain updated information from the supporting parties. The period covered by the support letter or written confirmation may be shorter if there is another source of support that management intends to utilize in order to continue as a going concern through the assessment period. Such other support would be subjected to the same auditing procedures discussed in this section. [As amended, effective for audits of financial statements for periods ending on or after December 15, 2021, by SAS No. 136.]

³¹ Paragraph .43 of section 700, *Forming an Opinion and Reporting on Financial Statements*, or paragraphs .82 and .126 of section 703, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA*. [As amended, effective for audits of financial statements for periods ending on or after December 15, 2021, by SAS No. 136.]

Ability

.A38 With respect to the supporting party's ability to provide support, matters to which the auditor may give consideration include the following:

- a. Audit evidence of past support obtained from the supporting party when such support was needed.
- b. The solvency of the supporting party and the sufficiency of the evidence supporting the solvency assertion. The auditor may obtain financial statements of the supporting party audited by a reputable auditor as evidence of the ability of the supporting party to provide the needed support. If the financial statements have not been audited, the auditor may perform other procedures, such as obtaining bank statements and evidence regarding the valuation of assets held by the supporting party that may be used to provide the needed support. However, these procedures might not provide evidence regarding other claims on the pledged assets that would limit the ability of the supporting party to use the assets to provide the support to the reporting entity.
- c. The ability to provide the needed support in a timely manner for the reporting entity to meet its obligations.
- d. When the entity and supporting party are in different countries, the ability of the supporting party to transfer the necessary funds (or other financial support) to the entity. Factors such as trade embargos, financial transfer restrictions, and war may limit the ability to transfer the necessary financial support.

Given the nature of these matters, the auditor may consult with legal counsel, as appropriate.