



The Chairman

IAASB  
International Auditing and Assurance Standards Board  
529 5th Avenue  
New York, NY 10017  
USA

31 July 2023

**Re: IAASB Exposure Draft, Proposed International Standard on Auditing 570  
(Revised 202x) Going Concern**

Dear Sirs

Assirevi is the association of the Italian audit firms. Its member firms represent the vast majority of the audit firms licensed to audit companies listed on the Italian stock exchange and other public interest entities in Italy, under the supervision of CONSOB (*Commissione Nazionale per le Società e la Borsa*).

Assirevi promotes technical research in the field of auditing and accounting and publishes technical guidelines for the benefit of its members. It collaborates with CONSOB, the Italian accounting profession and other bodies in developing auditing and accounting standards.

Assirevi is pleased to submit its comments on the "Exposure Draft, Proposed International Standard on Auditing 570 (Revised 202x) Going Concern" issued by IAASB in April 2023.

Our detailed comments are set out in the attached document.

Should you wish to discuss our comments please do not hesitate to contact us.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Gianmario Crescentino".

Gianmario Crescentino  
Chairman

(Enclosure)

## COMMENTS ON THE IAASB EXPOSURE DRAFT

Re: IAASB Exposure Draft, Proposed International Standard on Auditing 570  
(Revised 202x) Going Concern

(April 2023)

### Overall Questions

**1. Do you agree that the proposals in ED-570 are responsive to the public interest, considering the qualitative standard-setting characteristics and project objectives that support the public interest as set out in Appendix 1?**

We believe that the proposals in ED-570 as summarised in Appendix 1 contribute to heighten auditors' focus on going concern issues, as they require an auditor to perform a more in-depth risk assessment and provide more transparent disclosures of the procedures performed in response to the identified risks. This approach should better meet the requirements of users and, hence, public interest.

However, we note that, due to certain inconsistencies between the auditing standards and the existing international and national financial reporting standards, certain requirements in ED-570 could:

- create application challenges for the auditor, especially as regards the issue of extending the minimum period of management's assessment of going concern (please see our response to question 7);
- trigger the risk that the auditor is obliged to provide information in the audit report that management is not required to disclose in the financial statements due to the requirements set out in ED 570 (please see our response to question 13).

With respect to these issues, and as per our responses to questions 7 and 13 below, we recommend that the IAASB should continue to liaise with the accounting standard setters (such as the IASB) to align auditing and financial reporting standards.

Lastly, and as commented in greater detail in our response to question 13, we do not believe that the inclusion of a specific attestation in the audit report on the entity's ability to continue as a going concern would contribute to narrowing the expectation gap about the going concern issue.

**2. Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor's judgments and work relating to going concern in an audit of financial statements, including enhancing transparency through communicating and reporting about the auditor's responsibilities and work?**

ED-570 makes several references to the auditor's use of professional judgement to report going concern matters and specifically in the risk assessment, the assessment of any deficiencies in the entity's system of internal control, and situations of material uncertainty that may cast significant doubt on an entity's ability to continue as a going concern.

In our opinion, the proposed changes make it clearer when the auditor's professional judgement is required and better explain the connection with the other standards throughout the entire audit process.

In addition, the proposed separate paragraph on going concern in the audit report will provide its users with greater transparency (however, please also see our comments to question 13 in this respect).

Modifications to ISA 701 and ISA 706 have also been proposed to comply with the new requirements. The proposed modifications are clear and improve the auditor's use of the proposed International Standard on Auditing 570.

**3. Do you believe the proposed standard is scalable to entities of different sizes and complexities, recognizing that general purpose financial statements are prepared using the going concern basis of accounting and that going concern matters are relevant to all entities?**

We agree that going concern matters are relevant to all entities, regardless of their size and complexity, especially given the increasingly complex and uncertain macroeconomic climate in which all entities operate.

That being said, we feel that the proposed standard provides guidance and examples that respond suitably to the necessary scalability objectives, commensurate with an entity's specific nature and circumstances. It also includes clear references to the use of professional judgement to determine the nature and extent of the audit procedures to be performed to address going concern matters.

However, the going concern audit procedures described in paragraph 19, and especially those designed to evaluate the method, assumptions and data used by management to assess the entity's ability to continue as a going concern, could be difficult to apply to smaller entities where evidence of management assessments is usually less structured. Therefore, it would be advisable to include further examples to clarify what kind of evidence would be appropriate to obtain to support evaluations of the method, assumptions and data used by management in such circumstances.

We agree that the need for transparency on going concern matters (in the financial statements and the audit report) is greater for listed companies, given their larger stakeholder base and public interest in general. We also agree that more stringent requirements about the content of the specific going concern paragraphs in the audit report should be introduced for listed entities and that an auditor should be able to include additional information in their report when deemed appropriate for other entities as well (paragraph A71).

**4. Do the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern?**

We feel that the requirements and application material of ED-570 appropriately reinforce the auditor's application of professional skepticism in relation to going concern. In this respect, we note that ED-570 specifically requires the auditor, when carrying out risk assessment procedures and evaluating management's assessment of going concern, to be unbiased towards obtaining audit evidence that may be corroborative *versus* excluding audit evidence that may be contradictory. This approach reinforces the auditor's awareness of the importance of a more skeptical approach to management's assessment of going concern.

## Specific Questions

**5. Do you support the definition of Material Uncertainty (Related to Going Concern)? In particular, do you support the application material to the definition clarifying the phrase “may cast significant doubt”?**

ED-570 defines material uncertainty as the uncertainty related to “events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern”. In addition, paragraph A5 defines “may cast significant doubt” as when “the individual or collective magnitude of identified events or conditions is such that the entity will be unable to meet its obligations and continue its operations for the foreseeable future unless management takes remedial actions to mitigate the effects of these events or conditions”. Based on the above, the definition of Material Uncertainty would appear to exclude the uncertainties related to remedial actions that management introduces to remedy such events or conditions that, individually or collectively, may cast significant doubt on the entity’s ability to continue as a going concern. It is our experience that the outcome of remedial actions taken by management is also often uncertain. Therefore, we believe that the definition should include those aspects, which would be consistent with the guidance provided in paragraphs A47-A51.

**6. Does ED-570 appropriately build on the foundational requirements in ISA 315 (Revised 2019) in addressing risk assessment procedures and related activities, to support a more robust identification by the auditor of events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern?**

We agree with the changes proposed in ED-570 and believe that they strengthen the guidance about a more robust identification of the events or conditions that may cast significant doubt on an entity’s ability to continue as a going concern.

**7. Do you support the change in the commencement date of the twelve-month period of management’s assessment of going concern, from the date of the financial statements (in extant ISA 570 (Revised)) to the date of approval of the financial statements (as proposed in paragraph 21 of ED-570)? When responding consider the flexibility provided in paragraphs 22 and A43–A44 of ED-570 in circumstances where management is unwilling to make or extend its assessment. If you are not supportive of the proposal(s), what alternative(s) would you suggest (please describe why you believe such alternative(s) would be more appropriate and practicable)?**

We agree with the proposed change in the commencement date of the minimum period of management’s assessment of going concern (i.e., to the date of approval of the financial statements by management). The extension of the minimum period to at least 12 months from the date of approval of the financial statements contributes to responding to a public interest need as it requires management to assess the entity’s ability to continue as a going concern on the basis of information related to a more relevant period, as this assessment is made at the date of preparation of the financial statements. This is even more important when there is a significant time gap between the reporting date and the date of preparation of the financial statements. We also agree that this time horizon is not inconsistent with the requirements of financial reporting standards such as the IFRS and the Italian GAAP, for which the 12-month period starting

from the reporting date is a minimum period, which is not incompatible with the indications provided in ED-570.

However, neither the IFRS nor the Italian GAAP provide guidance about events or circumstances that would require management to extend the minimum period to more than 12 months from the reporting date. The lack of such guidance could create application challenges for the auditor and difficulties in engaging with management, especially if management has limited its assessments of going concern to a shorter time period than that recommended by ED-570 while still complying with the applicable financial reporting framework. Therefore, we believe that the IAASB should defer the introduction of this proposed change about the commencement date of the minimum period until after it has coordinated its approach with the relevant accounting standard setters (e.g., the IASB).

**8. Do you support the enhanced approach in ED-570 that requires the auditor to design and perform audit procedures to evaluate management’s assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern?**

We agree with the approach set out in ED-570 requiring an auditor to design and perform audit procedures to evaluate management’s assessment of going concern in all circumstances and irrespective of whether events or conditions have been identified that may cast significant doubt on the entity’s ability to continue as a going concern.

However, we believe that ED-570 should provide clear guidance about such audit procedures to be designed and performed by the auditor in situations where an audit risk related to going concern matters is not identified.

Specifically, paragraph 19 on the method, assumptions and data used in management’s assessments and paragraph A38 on scalability do not provide guidance or examples on how the auditor is to respond to situations where events or circumstances suggesting that going concern risks exist are not identified.

In this respect, IAS 1.26 establishes that “In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. [Refer: IAS 10 paragraphs 14–16] The degree of consideration depends on the facts in each case. **When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis.** In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate”. In the circumstances highlighted in bold above, we believe that the lack of an explicit clarification in ED-570 about the procedures to be performed by the auditor to comply with the requirements of paragraph 19 could lead to inconsistent approaches being taken when the auditing standard requires procedures to be performed on matters that the audited entity is not required to explore.

**9. Does ED-570 appropriately incorporate the concepts introduced from ISA 540 (Revised) for the auditor's evaluation of the method, assumptions, and data used in management's assessment of going concern?**

We feel that, overall, ED-570 appropriately incorporates the concepts introduced by ISA 540 (Revised) with respect to the auditor's evaluation of the method, assumptions and data used in management's assessment of going concern. The individual requirements are reasonable and can indirectly be of use to management in focusing on these areas in greater detail. However, the following two aspects would in our view require more attention.

Firstly, ED-570 establishes that the procedures to be performed by the auditor on management's assessment of going concern are substantially the same as those envisaged for management's estimates. This approach does not comply with the requirements requested of entities by, for example, IAS 1, to assess the going concern assumption. An audit approach to going concern aligned with that used for the estimates would only be appropriate when management's assessment of going concern is solely based on financial and business plans. Therefore, there is a risk that applying the procedures set out in paragraph 19 of ED-570 would end up being particularly difficult.

Secondly, as already mentioned in our response to question 8 above, another issue relates to the scalability of the planned procedures and, in particular, the extent of the work necessary when events or circumstances that would cast significant doubt on an entity's ability to continue as a going concern have not been identified. It could be appropriate to supplement ED-570 with guidelines and application material on these aspects (for example, by expanding the concepts in paragraph A30).

**10. Do you support the enhanced requirements and application material, as part of evaluating management's plans for future actions, for the auditor to evaluate whether management has the intent and ability to carry out specific courses of action, as well as to evaluate the intent and ability of third parties or related parties, including the entity's owner-manager, to maintain or provide the necessary financial support?**

The enhanced requirements comply with best practices already applied by audit firms and the new application material would definitely be of great help in defining exactly what an auditor can do in these circumstances. However, it might be difficult to obtain audit evidence from third parties. In this respect, the new explicit requirement of ED-570 provides the auditor with additional guidance in identifying a material uncertainty or the impossibility of obtaining sufficient appropriate audit evidence about a third party's intent and ability when, for example, the third party refuses to reply to a request for written confirmation.

**11. Will the enhanced requirements and application material to communicate with TCWG encourage early transparent dialogue among the auditor, management and TCWG, and result in enhanced two-way communication with TCWG about matters related to going concern?**

The enhanced requirements set out in ED-570 are reasonable and expand on the matters currently requiring discussion. In addition, they reinforce the importance of transparent two-way communication between the auditor and TCWG.

**12. Do you support the new requirement and application material for the auditor to report to an appropriate authority outside of the entity where law, regulation or relevant ethical requirements require or establish responsibilities for such reporting?**

We agree with the new requirements and application material in ED-570, although the regulations and standards of the various countries should be considered, along with their ethical requirements. Moreover, this approach is consistent with the equivalent requirements already set out in ISA 250 about the communication of identified or suspected non-compliance with laws and regulations to the competent authorities.

Italian laws applicable to national public interest entities already include the requirement for auditors to report to the competent authorities when they issue modified opinions or a separate section reporting a material uncertainty related to going concern.

**13. This question relates to the implications for the auditor's report for audits of financial statements of all entities, i.e., to communicate in a separate section in the auditor's report, under the heading "Going Concern" or "Material Uncertainty Related to Going Concern", explicit statements about the auditor's conclusions on the appropriateness of management's use of the going concern basis of accounting and on whether a material uncertainty has been identified.**

**Do you support the requirements and application material that facilitate enhanced transparency about the auditor's responsibilities and work relating to going concern, and do they provide useful information for intended users of the audited financial statements? Do the proposals enable greater consistency and comparability across auditor's reports globally?**

We agree that the communication on going concern in a separate section of the auditor's report would facilitate an understanding of the matter by the users of financial statements and the auditor's report. We wonder, however, whether the sentence on going concern included in the "Auditor's responsibilities for the audit of the financial statements" section (paragraph 39 (b)(iv) of ISA 700) should be appropriately supplemented to reflect the changes proposed by ED-570, for example, to include that set out in paragraph 33 (b).

However, we do have concerns about the "Going concern" section with respect to the requirements of paragraph 33 (a).

Specifically, we feel that the auditor's conclusion that management's use of the going concern basis of accounting in the preparation of financial statements is appropriate (paragraph 33 (a) (i)) does not improve transparency. Actually, we believe that this conclusion could erroneously be taken as a "piecemeal opinion" that does not contribute to better clarifying the auditor's responsibilities and generates the risk that the expectation gap could widen. In addition, inclusion of this statement in all those circumstances in which the going concern basis of accounting is appropriate and when there are no material uncertainties related to going concern diminishes the importance of this matter, making it part of a standard (and potentially boilerplate) text of an auditor's report.

With respect to paragraph 33 (a) (ii), neither the IFRS nor the Italian GAAP require management to include statements or information when there is no evidence of material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. Moreover, when events or conditions that may cast significant doubt on the entity's ability to continue as a going concern exist (i.e. "close call" situations), certain standards, including for example the Italian GAAP, do not require the inclusion of specific disclosures about going concern in the financial statements apart from a general statement confirming that management has prepared the financial statements assuming the entity's ability to continue as a going concern. These two accounting frameworks only require specific disclosures to be made when there is material uncertainty. The requirements of ED-570 about the "Going concern" section would require the auditor in both cases to provide information in their report that has not been disclosed by management in the financial statements.

Therefore, we propose that solely the requirements set out in paragraph 33 (b) be maintained and that the requirements under paragraph 33 (a) be deferred until the IAASB coordinates its approach with the relevant accounting standard setters.

For the same reasons, we propose that the auditor's statement on the appropriate use of the going concern basis of accounting be eliminated from paragraphs 34 and 35 as well (specifically, paragraph 34 (a) and paragraph 35 (c) (i)).

**14. This question relates to the additional implications for the auditor's report for audits of financial statements of listed entities, i.e., to also describe how the auditor evaluated management's assessment of going concern when events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern (both when no material uncertainty exists or when a material uncertainty exists). Do you support the requirements and application material that facilitate further enhanced transparency about the auditor's responsibilities and work relating to going concern? Should this be extended to also apply to audits of financial statements of entities other than listed entities?**

We would like to reiterate our comments on the changes to the auditor's report as set out in our response to question 13 above, and confirm our agreement with the inclusion of the changes proposed by ED-570 with respect to the audit of listed entities and, especially, those set out in paragraphs 33 (b) and 34 (d). In such circumstances, the content of ED-570 is consistent with the IFRS (IAS 1) and enables the users of financial statements to have a better understanding of how the auditor evaluated management's



assessment of going concern. In addition, ED-570 is consistent with the requirements of ISA 701 on key audit matters.

In our opinion, the changes should solely be applicable to the audit of listed entities as the requirement is consistent with that for the scalability of auditing standards and the proportionality of an auditor's work. As currently envisaged in paragraph A71, we support that the auditor also may decide that providing the information required by paragraph 33(b) for an entity other than a listed entity would be appropriate to enhance transparency for intended users of financial statements.

With respect to paragraph 35 (c), it is unclear why, in the case of inadequate disclosure about the Material Uncertainty Related to Going Concern for a listed entity, the "Material Uncertainty Related to Going Concern" section should not describe "how the auditor evaluated management's assessment of the entity's ability to continue as a going concern", as established for the cases in paragraph 33 (b) and paragraph 34 (d). This may perhaps be due to the fact that the auditor does not wish to provide original information not disclosed by management. However, in these circumstances, the specific section entitled "Basis for a qualified or adverse opinion" should, in our view, include a description of the material uncertainties not disclosed by management. If there is another reason for omitting the above description, the guidelines should include additional guidance to support the auditor in applying the standard.

Lastly, it is not clear why the requirement in paragraph 34 (e) is not also included in paragraph 33 (b).

**15. Is it clear that ED-570 addresses all implications for the auditor's report relating to the auditor's required conclusions and related communications about going concern (i.e., auditor reporting is in accordance with ED-570 and not in accordance with ISA 701 or any other ISA)? This includes when a material uncertainty related to going concern exists or when, for audits of financial statements of listed entities, events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but, based on the audit evidence obtained, the auditor concludes that no material uncertainty exists.**

ED-570 clearly specifies that it addresses all matters about going concern that affect an auditor's report.

**16. Are there any other matters you would like to raise in relation to ED-570? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.**

We recommended that the second sentence of paragraph A83 of ED-570 specifies that reference to paragraph 19 of ISA 705 relates to cases when an auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence. For example, the sentence could be modified as follows: "When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, [...]". This would make the sentence clearer.

17. The IAASB is also seeking comments on the matters set out below:

**(a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-570.**

We do not foresee any specific translation issues.

**(b) Effective Date—Given the need for national due process and translation, as applicable, and the need to coordinate effective dates with the fraud project, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of the final standard. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.**

The proposed timeframe appears reasonable and appropriate.