



For the attention of Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, New York, 10017
USA

[Submitted via IAASB website]

24 August 2023

Dear Mr. Botha,

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

We¹ appreciate the opportunity to comment on the IAASB's Exposure Draft for proposed ISA 570 (Revised) ("ED-570").

We are supportive of the majority of the proposals included in ED-570. Establishing a clear and robust work effort for the evaluation of management's assessment of an entity's ability to continue as a going concern and providing appropriate transparency of the auditor's work and conclusions with respect to going concern are key elements in further enhancing trust in audit and corporate reporting. The revised standard is an important step forward in that regard.

Broader ecosystem change is critical to establishing trust

We recognise the significant public interest in the work of auditors that is responsive to going concern risks. Consequently, even under extant ISA 570 (Revised), we are continuing to focus on enhancing the execution and transparency of our work in this critical area. Many of the changes proposed in ED-570 will support the whole profession in performing audit procedures of consistently high quality. Nevertheless, we believe that meaningful and sustainable trust in corporate reporting and addressing the systemic expectation gap amongst users about matters that may affect the longer-term viability of entities can only be achieved through a collective corporate reporting ecosystem response.

Changes to auditing standards have an important role to play in enhancing the framework for the evaluation of management's assessment but cannot supplant the responsibilities of others in the ecosystem. Management and those charged with governance are responsible for a robust, balanced and transparent assessment of an entity's ability to continue as a going concern and for making appropriate disclosures. But all participants – preparers, those charged with governance, investors, other users, regulators, as well as auditors – have a role to play in encouraging and supporting high-quality corporate reporting and audit. Without broader change and a coordinated effort, expectation gap issues will persist. Investors' desire for greater insight into companies' viability cannot be achieved by statements made by the auditor alone.

Reforms introduced in jurisdictions that appear to have had the greatest positive impact have involved holistic changes to the respective responsibilities of the parties in the ecosystem. In such cases,

¹ This response is being filed on behalf of the network of member firms of PricewaterhouseCoopers International Limited and references to "PwC", "we" and "our" refer to the PwC network of member firms.

PricewaterhouseCoopers International Limited
1 Embankment Place
London WC2N 6RH
T: + 44 (0)20 7583 5000, F: + 44 (0)20 7822 4652



changes to the auditor's responsibilities were made at the same time as complementary changes in management's responsibilities (e.g., for the design and effectiveness of internal control over financial reporting and enhanced disclosure of management's plans to alleviate uncertainties related to going concern), governance responsibilities (e.g., for the evaluation of the entity's longer-term viability), and the legal and regulatory framework (e.g., clearly defined responsibilities, accountabilities and consequences in law and regulation).

We believe that greater transparency in management disclosures about matters related to longer-term viability and future prospects (such as those addressing risk factors, liquidity risk, financing plans, contractual obligations, and forecasts) would provide more timely and relevant information to users about the entity's financial condition and would allow users of financial statements to apply their own judgement in making decisions based on that more relevant and useful information.

As the global auditing standard setter, we believe the IAASB is uniquely positioned to engage in dialogue with other global stakeholders in the corporate reporting ecosystem to encourage broader and more coordinated change. We encourage the IAASB leadership to actively work with others, such as IOSCO, the IASB, IFAC, the OECD, Transparency International, the World Bank and the IMF to build consensus on a package of reforms for the evolution of the roles and appropriate responsibilities of all parties to the corporate reporting ecosystem that collectively can make a substantive change in addressing the expectation gap with respect to going concern and longer-term entity viability.

Specific observations on key proposed revisions

Identifying events or conditions

While we support the proposed revisions with respect to the matters about which the auditor obtains an understanding to inform the auditor's consideration of whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern, we believe there is a significant flaw in the drafting of proposed paragraph 11 of the standard.

Management has the primary responsibility, in complying with the applicable financial reporting framework, for identifying and assessing events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We agree that, based on the auditor's understanding of the entity, its environment and the system of internal control, the auditor evaluates whether any events or conditions have been identified in addition to those identified by management. However, the language in paragraph 11 imposes an obligation on the auditor to design and perform risk assessment procedures that provide an *appropriate basis* to identify events or conditions. This implies an independent identification and assessment of events or conditions by the auditor, blurring the respective responsibilities of management and the auditor.

As the IAASB's 2019 discussion paper and outreach previously concluded, an auditor cannot predict the future, nor has the same level of knowledge about the entity as management. Even assuming a robust understanding, obtained in accordance with ISA 315 (Revised 2019), we are concerned that absent any clear context or boundaries for the auditor's understanding and documentation, "an appropriate basis" is subject to differing interpretations and is open-ended. Specifically, should an event or condition arise that was not previously identified by management, we believe auditors may be exposed to unfair challenge that their work was somehow deficient and, consequently, not "an appropriate basis", when it may not have been realistic for the auditor to have reasonably identified such an event or condition in the absence of relevant information from management or those charged with governance.

We believe the similar requirement in the United Kingdom version of ISA 570 (*ISA (UK) 570 (Revised September 2019) paragraph 10-1*) is drafted in a more appropriate manner, as it anchors the

obligation to identify events or conditions to the auditor's understanding of the entity, its environment, applicable financial reporting framework and the entity's system of internal control obtained in accordance with paragraph 10-2 of that standard. There is therefore not an open-ended requirement as set out in proposed paragraph 11. We recommend that the Board align paragraph 11 with paragraph 10-1 of the UK standard as described in our response to question 6 in Appendix 1 to this letter.

Enhanced communication with those charged with governance

We support the proposed changes to required communications with those charged with governance, in particular the requirement to understand, as part of risk assessment procedures, how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern. Enhancing the two-way communication with those charged with governance will foster transparency and will promote trust and confidence in the audit process. The effectiveness of any such communication is, however, premised on those charged with governance having appropriate responsibilities and accountability for the going concern assessment as part of the broader corporate reporting ecosystem.

Period of management's assessment

We support the proposed change in commencement date of the twelve-month period of management's assessment to be the date of approval of the financial statements. This is already established practice in a number of jurisdictions, and while we acknowledge the fact that applicable financial reporting frameworks may refer to an alternative commencement date, we are not aware that auditor requests to cover a period of at least twelve months from date of approval has caused any issues in practice. However, it would be beneficial for the IAASB to further discuss with the IASB the benefits of aligning the evaluation period required for management's assessment to the period required as part of the auditor's evaluation of management's assessment.

Evaluating management's assessment (scalability)

We agree in principle with the proposed enhanced work effort requirements, including the need to evaluate the method, assumptions and data used in management's assessment of going concern (paragraph 19). However, we believe the following revisions are necessary to result in an appropriately scalable requirement:

- Clarifying the impact of the guidance in paragraph A30 (that a "lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether management's use of the going concern basis of accounting is appropriate in the circumstances") on the expected audit procedures required by paragraph 19 with respect to evaluating the method, assumptions and data used by management in their assessment.
- Explicitly highlighting that when no (or limited) events or conditions have been identified (for example, for large multinational corporations with significant liquidity reserves) the extent of the auditor's procedures to evaluate the method, assumptions and data may be more limited (i.e., taking into account the auditor's risk assessment); and
- Consistent with ISA 540 (Revised), we believe the scope of requirement 19(b) should be restricted to significant assumptions. It appears unduly onerous for the auditor to have to consider and document every assumption used, including those that are not significant.

Enhanced transparency in auditor reporting

We support the proposed two new auditor conclusions addressing management's use of the going concern basis of accounting and whether any material uncertainties have been identified. We also support further transparency in the auditor's report about the auditor's conclusions and, for audits of listed entities, the work undertaken in an audit when additional disclosure achieves the objectives of being both meaningful and enhancing users' understanding of the scope and extent of the auditor's work.

With respect to the proposed enhanced disclosure for audits of listed entities of circumstances when events or conditions exist that may cast significant doubt on an entity's ability to continue as a going concern, but the auditor concludes there is no material uncertainty (so called "close call" situations), we support in principle the call for more "early warning" for users, but caution that this needs to be addressed carefully to avoid users misunderstanding what this additional reporting by the auditor is signifying, and to avoid further blurring the responsibilities of management and the auditor – management is responsible for reporting significant judgements they have made in making their going concern assessment.

The IAASB's illustrative disclosure in such close call situations closely resembles the disclosure required in the circumstances of a material uncertainty, with the only difference being that, in a close call situation, the auditor states that "*we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern*" and the opposite being true when the auditor concludes there is a material uncertainty.

We are concerned that, without any additional contextual language, referring within the proposed going concern section of the report to the disclosures in the financial statements describing events or conditions may be perceived as conflicting with the statement that the auditor has not identified a material uncertainty related to events or conditions. At a minimum, there is a risk of user confusion about how these circumstances differ from those of a material uncertainty and how this close call disclosure is to be interpreted compared to a material uncertainty disclosure.

We believe that a clearer distinction between a close call and a material uncertainty situation is best achieved by utilising the existing Key Audit Matter reporting requirements. In such cases, the auditor would still describe the events or conditions giving rise to a close call in a Key Audit Matter and describe how the auditor addressed the matter. There is therefore the same level of information provided to users. However, utilising this section of the report retains the significance of the "Material Uncertainty" section of the auditor's report, such that when a Material Uncertainty section is included, this is a clear and prominent warning to users of the financial statements of a situation that they need to carefully consider. We further address this matter in our response to question 14 in the appendix to this letter.

Other observations

Firm-level quality management

A firm's system of quality management plays an important role in supporting engagement level quality. We suggest additional application material be included describing how appropriate firm-level quality management policies and procedures can be an important source of information in support the work performed by engagement teams in relation to considering risks relating to going concern and the design and performance of appropriate procedures to respond to assessed risks. For example, the firm's information system and communication component may be an important source of information for engagement leaders by providing a centralised repository of market, credit rating, and other information that may be indicative of going concern risks for a firm's portfolio of clients.



In summary, other than those matters described in the *Specific observations on key proposed revisions* section above, we support the proposed revisions in ED-570. The proposals should assist auditors in performing a robust evaluation of management's assessment of an entity's ability to continue as a going concern and provide greater transparency to users of financial statements about the auditor's work and conclusions in that regard. However, these changes alone will not, in our view, fully address the systemic expectation gap in this area. We call on the IAASB to lead the debate with other participants in the corporate reporting ecosystem to explore holistic, coordinated, solutions addressing the respective responsibilities of parties to the ecosystem, and we stand ready to participate in and support those discussions to help foster meaningful, sustained long-term trust in corporate reporting and audit.

We hope our observations in this letter and the accompanying appendix, in which we have responded to the specific questions set forth in the explanatory memorandum, provide useful input in achieving the Board's goals. We would be happy to discuss our views further with you.

If you have any questions regarding this letter, please contact Gilly Lord, at gillian.lord@pwc.com, or me, at james.chalmers@pwc.com.

Yours sincerely,

A handwritten signature in black ink that reads "James Chalmers". The signature is written in a cursive, flowing style.

James Chalmers
Global Assurance Leader

Appendix - Responses to specific 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, in principle, the proposals presented in ED-570 are responsive to the public interest in the light of the project objectives aimed at enabling consistent auditor practice and behaviour, and enhanced transparency with respect to the auditor's responsibilities and work related to going concern.

Going concern continues to be a persistent area of expectation gap, and we recognise the important role auditors play in enhancing trust in audit and financial reporting through the performance of robust procedures and transparent reporting about the most important matters in an audit. While it is appropriate to consider whether there are ways in which the auditing standards can be improved, the root causes of the expectation gap and effective solutions to it are unlikely to be a function of the financial statement audit alone.

Management and those charged with governance are responsible for a robust, balanced and transparent assessment of an entity's ability to continue as a going concern and for making appropriate disclosures. But all participants – preparers, those charged with governance, investors, other users, regulators, as well as auditors – have a role to play in encouraging and supporting high-quality corporate reporting and audit. Without broader change and a coordinated effort, expectation gap issues will persist. Investors' desire for greater insight into companies' viability cannot be achieved by statements made by the auditor alone.

Reforms introduced in jurisdictions that appear to have had the greatest positive impact have involved holistic changes to the respective responsibilities of the parties in the ecosystem. In such cases, changes to the auditor's responsibilities were made at the same time as complementary changes in management's responsibilities (e.g., for the design and effectiveness of internal control over financial reporting and enhanced disclosure of management's plans to alleviate uncertainties related to going concern), governance responsibilities (e.g., for the evaluation of the entity's longer-term viability), and the legal and regulatory framework (e.g., clearly defined responsibilities, accountabilities and consequences in law and regulation).

We believe that greater transparency in management disclosures about matters related to longer-term viability and future prospects (such as those addressing risk factors, liquidity risk, financing plans, contractual obligations, and forecasts) would provide more timely and relevant information to users about the entity's financial condition and would allow users of financial statements to apply their own judgement in making decisions based on that more relevant and useful information.

As the global auditing standard setter, we believe the IAASB is uniquely positioned to engage in dialogue with other global stakeholders in the corporate reporting ecosystem to encourage broader and more coordinated change. We encourage the IAASB leadership to actively work with others, such as IOSCO, the IASB, IFAC, the OECD, Transparency International, the World Bank and the IMF to build consensus on a package of reforms for the evolution of the roles and appropriate responsibilities of all parties to the corporate reporting ecosystem that collectively can make a substantive change in addressing the expectation gap with respect to going concern and longer-term entity viability.



2. Do you believe that the proposals in ED-570, considered collectively, will enhance and strengthen the auditor’s judgement 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?

We believe the proposals in ED-570 should serve to enhance the overall effectiveness of the auditor’s work related to going concern, reinforcing a high-quality financial statement audit.

The enhanced work effort requirements regarding the evaluation of management’s assessment are reasonable. In our detailed responses to questions 6 through 10, we provide specific comments and suggestions on each of the proposed areas of significant change.

We believe that the enhanced requirements promoting two-way communication with those charged with governance are important changes. However, the effectiveness of such communication relies on the existence of appropriate responsibilities for, and accountability of, those charged with governance within the broader corporate reporting ecosystem. As we note in our response to question 1, working with other stakeholders to promote broader ecosystem-wide reform would best serve the interests of users of corporate reporting.

We are also supportive of the majority of the enhanced transparency requirements for the auditor’s report. Our detailed responses to questions 13 to 15 include specific comments and recommendations in support of the Board’s stated public interest objectives while seeking to ensure that users of the auditor’s report understand the nature and implications of the proposed disclosures.

In supporting the changes to ISA 570 (Revised), we note that enhancements to engagement level standards are most likely to achieve the desired public interest objectives when underpinned by an effective firm system of quality management. The firm’s system of quality management can play an important role in supporting effective engagement level responses to going concern related risks.

Specifically, effective resources (intellectual) and information and communication components within the firm’s system can support engagement teams by providing mechanisms to communicate, on a timely basis, relevant information related to potential risks and emerging going concern issues to engagement leaders and teams. This can be achieved, for example, through centralised databases or other tools that consolidate market and analytical data, ensuring consistent, easily accessible information for engagement partners. Such initiatives could significantly enhance the quality of going concern analysis and discussions by providing up-to-date and relevant information for informed decision-making and comprehensive risk assessment by engagement teams.

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?

The majority of requirements within the proposed exposure draft are inherently scalable.

With respect to the requirement to evaluate the method, data, and assumptions used by management in their assessment of going concern, we believe the following revisions are necessary to result in an appropriately scalable requirement:

- Clarifying the impact of the guidance in paragraph A30 (that a “lack of detailed analysis by management to support its assessment may not prevent the auditor from concluding whether

management's use of the going concern basis of accounting is appropriate in the circumstances") on the expected audit procedures required by paragraph 19 with respect to evaluating the method, assumptions and data used by management in their assessment.

- Explicitly highlighting that when no (or limited) events or conditions have been identified (for example, for large multinational corporations with significant liquidity reserves) the extent of the auditor's procedures to evaluate the method, assumptions and data may be more limited; and
- Consistent with ISA 540 (Revised), we believe the scope of requirement 19(b) should be restricted to significant assumptions. It appears unduly onerous for the auditor to have to consider and document every assumption used, including those that are not significant.

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

We support the additional focus on bias and the emphasis placed on considering all audit evidence, whether corroborative or contradictory, consistent with recent revisions to other ISAs. A critical assessment of the relevance and reliability of all audit evidence is particularly important when evaluating judgements made by management with respect to going concern, especially when there are events and conditions that may cast significant doubt on an entity's ability to continue as a going concern.

We believe that certain requirements in ED-570, specifically those outlined in paragraphs 18 and 29, are likely already best practice in high quality audits. As a result, their impact on auditor behaviour in such engagements may be more limited. Nevertheless, as key principles underpinning professional scepticism, these are important baseline requirements that warrant inclusion in the standard.

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"?

We believe that the concept of material uncertainty is not well-defined in applicable financial reporting frameworks, in particular in IAS 1. This lack of clarity can lead to different interpretations and views between auditors and management/those charged with governance, in particular, regarding the specificity of the financial statement disclosures expected in these circumstances. For example, significant judgements made by management when concluding that a material uncertainty does not exist ("close call" situations) may not be well disclosed.

While we agree with the proposed definition, we also recognise that clarifying the terminology for auditors alone will not narrow the knowledge/expectation gap in this area. In our view, greater transparency in management disclosures regarding longer-term viability and future prospects would provide users of financial statements with more timely and relevant information about the entity's financial condition. By providing users with a comprehensive understanding of the entity's prospects, they can apply their own judgement in making informed decisions based on more relevant and useful information.

Notwithstanding these limitations, we support the clarification of the phrase "may cast significant doubt" as it is an area that often causes confusion for engagement teams. Providing clear guidance on the interpretation and application of this phrase is helpful in seeking to promote consistent understanding and application.

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?

In our view, the changes proposed in paragraph 12 of ED-570 to build on the foundational requirements in ISA 315 (Revised 2019) are reasonable and emphasise the going concern aspects of the auditor's understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control. Such an understanding should provide a robust basis for evaluating whether there are events and conditions that may cast significant doubt on the entity's ability to continue as a going concern.

In particular, we support the enhanced focus on understanding how those charged with governance exercise oversight over management's assessment of the entity's ability to continue as a going concern, consistent with our comments on the need for complementary responsibilities across all parties to the ecosystem. Such two-way communication may help inform the auditor about potential areas of focus in evaluating management's assessment.

While we support the proposed revisions to paragraph 12 of the standard, with respect to the matters about which the auditor obtains an understanding to inform the auditor's consideration of whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern, we believe there is a significant flaw in the drafting of proposed paragraph 11 of the standard.

Management has the primary responsibility, in complying with the applicable financial reporting framework, for identifying and assessing events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. We agree that, based on the auditor's understanding of the entity, its environment and the system of internal control, the auditor evaluates whether any events or conditions have been identified in addition to those identified by management. However, the language in paragraph 11 imposes an obligation on the auditor to design and perform risk assessment procedures that provide an *appropriate basis to identify* events or conditions. This implies an independent identification and assessment of events or conditions by the auditor, blurring the respective responsibilities of management and the auditor.

As the IAASB's 2019 discussion paper and outreach previously concluded, an auditor cannot predict the future, nor has the same level of knowledge about the entity as management. Even assuming a robust understanding, obtained in accordance with ISA 315 (Revised 2019), we are concerned that absent any clear context or boundaries for the auditor's understanding and documentation, "an appropriate basis" is subject to differing interpretations and is open-ended. Specifically, should an event or condition arise that was not previously identified by management, we believe auditors may be exposed to unfair challenge that their work was somehow deficient and, consequently, not "an appropriate basis", when it may not have been realistic for the auditor to have reasonably identified such an event or condition in the absence of relevant information from management or those charged with governance.

We believe the similar requirement in the United Kingdom version of ISA 570 (*ISA (UK) 570 (Revised September 2019) paragraph 10-1²*) is drafted in a more appropriate manner, as it anchors the obligation to identify events or conditions to the auditor's understanding of the entity, its environment, applicable financial reporting framework and the entity's system of internal control obtained in accordance with paragraph 10-2 of that standard. There is therefore not an open-ended requirement as set out in proposed paragraph 11. We recommend that the Board align paragraph 11 with paragraph 10-1 of the UK standard.

- 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 when 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)?**

Yes, we support the proposed change. While we acknowledge that the proposed change may be perceived in certain jurisdictions as the auditing standards overriding the requirements of the applicable financial reporting framework, we believe, given the nature of the requirement (simply a request of management rather than the auditor assuming a management responsibility as above), that this is acceptable. In circumstances when the financial statements are prepared and an audit is performed significantly after the balance sheet date, management's assessment, if based on the balance sheet date, may only extend for a few months beyond the date on which the financial statements are approved. Therefore, it is reasonable, and likely expected by users, that a more appropriate forward-looking assessment is made from the date of approval of the financial statements.

Moreover, we note that the proposed change is consistent with existing practice in many jurisdictions. To the best of our knowledge, this change has not posed any significant challenges in practice, particularly in cases when the applicable financial reporting framework only requires management to consider a twelve-month period from the balance sheet date.

While we support the change in the commencement date of management's assessment, we question whether there is a potential conflict between paragraph 21, which requires the auditor in all cases to request management to extend its assessment, and paragraph A44, which explains that management may be able to justify not extending their assessment. The application material can be perceived as overriding the requirement. We believe this can be resolved by amending paragraph 21 to leverage the concept included in paragraph A44, as follows:

² When obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control as required by ISA (UK) 315 (Revised July 2020), the auditor shall design and perform risk assessment procedures to obtain an understanding of the matters in paragraph 10-2 that provides an appropriate basis for the identification of:

- (a) Events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern; and
- (b) Whether or not a material uncertainty related to going concern exists.

“If management’s assessment of the entity’s ability to continue as a going concern covers less than twelve months from the date of approval of the financial statements as defined in ISA 560, the auditor shall:

- *request management to provide additional information to support the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements; and*
- *when necessary, request management to extend its assessment period to at least twelve months from the date of approval of the financial statements.”*

Paragraph A44 can be amended accordingly to reflect the revised wording of the requirement and further explain, via an example, circumstances when the auditor may conclude it is necessary to request management to extend its assessment. We also suggest that the order of paragraphs A43 and A44 be reversed.

It would also be beneficial for the IAASB to further discuss with the IASB the benefits of aligning the evaluation period required for management’s assessment to the period required as part of the auditor’s evaluation of management’s assessment. Furthermore, consistent with our response to question 5, while extending the period of assessment is a helpful change, this alone is unlikely to fundamentally address the information needs of users that we believe stakeholders are increasingly seeking regarding longer-term viability. That informational change requires coordinated actions by securities regulators and others in the corporate reporting ecosystem establishing accountability and reporting frameworks.

- 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?**

In principle, yes. However, please see our response to question 3 regarding ensuring appropriate scalability of the requirements when there are no (or limited) events or conditions identified.

- 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?**

In principle, yes. However, please see our response to question 3 regarding ensuring appropriate scalability of the requirements when there are no (or limited) events or conditions identified. Also, a going concern assessment will involve numerous assumptions. The auditor’s focus should be on those assumptions that are significant to the assessment, e.g., those that have a material impact or where the outcome is sensitive to changes in certain assumptions.

- 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?**

We support the revised requirements, which are best practice today. It is an important aspect of exercising professional scepticism to critically evaluate whether management’s plans for future actions



are realistic and achievable.

We also support the enhanced focus on assessing the intent and ability of third parties or related parties, including the entity's owner-manager, to provide the necessary financial support. However, we note there are often challenges in obtaining evidence from third parties. Paragraph A52 focuses on obtaining written confirmation from relevant parties to obtain sufficient appropriate audit evidence about their intent to provide the necessary financial support. In many cases, third parties are unwilling to provide such confirmations, or may provide informal indications that are not contractually binding. We believe further application material should be included to address the auditor's consideration of what may constitute persuasive evidence in such circumstances (noting that past experience alone is not sufficient). This may involve seeking alternative sources of information or corroborating the available information through other means, such as independent research or discussions with other stakeholders who may have insights into the financial support provided by these parties. This is a common situation encountered in practice.

We also suggest the application material explicitly address the implications when the auditor concludes they are unable to obtain sufficient appropriate audit evidence regarding the intent to support, i.e., that a material uncertainty exists. Including reference to the importance of communicating with those charged with governance about any such limitations in evidence relating to third parties also seems appropriate – this may also be considered as an addition to paragraph 39.

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?

We support the enhanced requirements and application material aimed at promoting early and transparent dialogue among the auditor, management and those charged with governance regarding matters related to going concern. Early and transparent dialogue enables the establishment of clear expectations regarding each party's responsibilities relating to going concern.

Furthermore, timely ongoing dialogue enables the sharing of relevant information, updates, and changes that may impact the going concern assessment and provides an opportunity for the auditor to seek clarifications, obtain additional evidence, and address emerging issues promptly.

See also our response to questions 6 (risk assessment) and 10 (third party intent and ability to provide support).

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

We support the new requirement and application material, which are aligned to the equivalent requirement and application material in ISA 250 (Revised) regarding reporting non-compliance with laws and regulations. As the obligation is conditional on requirements in law, regulation, or relevant ethical requirements in the respective jurisdiction, this is considered appropriate. By reporting, when required, to an appropriate authority outside the entity, relevant stakeholders, including regulatory bodies, for example, are informed about potential going concern issues that may have implications for the entity's financial stability. This reporting mechanism contributes to the broader objective of promoting transparency, accountability, and compliance within the financial reporting ecosystem.

- 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 support the proposed new auditor conclusions on the appropriateness of management’s use of the going concern basis of accounting and on whether a material uncertainty has been identified. These conclusions are already existing practice in several jurisdictions and therefore the proposals will enhance consistency and comparability globally.

Based on the proposed introduction of a going concern section in all auditor’s reports, we believe that the IAASB should consider the cohesiveness of the "story" on going concern within the auditor’s report. As currently proposed, reference to responsibilities and conclusions with respect to going concern will be included in three different sections of the auditor’s report: the new Going Concern section, management’s responsibility section, and auditor’s responsibility section. To enhance clarity and understandability for users of the auditor’s report, we recommend consolidating the respective responsibilities and conclusions within the Going Concern section.

- 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 agree with the proposed requirement to describe how the auditor evaluated management’s assessment when a material uncertainty section is included in the auditor’s report for an audit of a listed entity. This addresses the perceived information gap between a material uncertainty and matters that are addressed in the Key Audit Matters (KAM) section of the report.

With respect to the proposed enhanced disclosure for audits of listed entities of circumstances when events or conditions exist that may cast significant doubt on an entity’s ability to continue as a going concern, but the auditor concludes there is no material uncertainty (so called “close call” situations), we support in principle the call for more “early warning” for users, but caution that this needs to be addressed carefully to avoid users misunderstanding what this additional reporting by the auditor is signifying, and to avoid further blurring the responsibilities of management and the auditor – management is responsible for reporting significant judgements they have made in making their going concern assessment.

The IAASB’s illustrative disclosure in such close call situations closely resembles the disclosure required in the circumstances of a material uncertainty, with the only difference being that, in a close call situation, the auditor states that “*we have not identified a material uncertainty related to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern*”

and the opposite being true when the auditor concludes there is a material uncertainty.

We are concerned that, without any additional contextual language, referring within the proposed going concern section of the report to the disclosures in the financial statements describing events or conditions may be perceived as conflicting with the statement that the auditor has not identified a material uncertainty related to events or conditions. At a minimum, there is a risk of user confusion about how these circumstances differ from those of a material uncertainty and how this close call disclosure is to be interpreted compared to a material uncertainty disclosure.

We believe that a clearer distinction between a close call and a material uncertainty situation is best achieved by utilising the existing KAM reporting requirements. In such cases, the auditor would still describe the events or conditions giving rise to a close call in a key audit matter and describe how the auditor addressed the matter. There is therefore the same level of information provided to users. However, utilising this section of the report retains the significance of the "Material Uncertainty" section of the auditor's report, such that when a Material Uncertainty section is included, this is a clear and prominent warning to users of the financial statements of a situation that they need to carefully consider.

When the KAM section includes a close call going concern matter, the going concern section of the auditor's report could include a sentence immediately following the required conclusions that draws attention to this key audit matter, for example, stating that in forming their conclusions the auditor had consideration of the going concern matter described in the KAM section. In doing so, the users of the report would be guided to the relevant information but without the potential unintended consequence that reporting events or conditions in the going concern section is perceived as a de facto material uncertainty.

As of the date of this response, we also believe that the above proposal would provide consistency with how significant fraud-related risks, when the auditor concludes that there is no actual or suspected fraud, would be addressed in the auditor's report – that is, by inclusion of a fraud-related key audit matter. This would reinforce the concept that matters of most significance in the audit that do not rise to the level that triggers a specific additional reporting responsibility (material uncertainty or modified opinion) are all addressed in the key audit matters section of the report. We believe that is a sensible position that users of the auditor's report will better understand.

We acknowledge the IAASB's objective of enhancing transparency. However, we believe that effectively presenting the subtle distinction between these two scenarios (material uncertainty versus events or conditions but no material uncertainty) in the same section of the auditor's report is challenging. If the current proposals are retained in preference to utilising the KAM section, we recommend the inclusion of additional contextual language within the proposed new going concern section that seeks to better distinguish the required reporting for audits of listed entities when events or conditions exist but the auditor concludes there is no material uncertainty to seek to minimise the risk of misinterpretation.

- 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.**

It is clear that ED-570 addresses the implications for the auditor's report regarding the required conclusions and related communications about going concern.

Should the Board not agree with our recommendation in response to question 14 to utilise the KAM section of the auditor's report for close call situations, we recommend that paragraph A1 of ISA 701 be clarified to explicitly state that when the auditor makes reference to events or conditions in the auditor's report of a listed entity, having concluded there is no material uncertainty, such circumstances are not considered in the determination of matters of most significance in the audit in accordance with ISA 701. As drafted, there is ambiguity regarding whether auditors can also report going concern matters in accordance with ISA 701, in addition to their reporting obligations under ED-570. Providing explicit guidance in this regard would ensure consistency and alleviate any potential confusion for auditors.

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.

For entities other than listed entities, when KAM are not required to be included in the auditor's report, providing additional guidance to highlight the availability of using an emphasis of matter paragraph in the auditor's report to draw attention to disclosures in the financial statements that are considered fundamental to users' understanding (in circumstances when events or conditions were identified but ultimately no material uncertainty was deemed to exist) may be a useful reminder.

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 have no specific comments on translation.

(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.

In principle we believe that an effective date for the standard of approximately 18-24 months after approval by the PIOB is appropriate. This timeframe allows sufficient time for jurisdictions and firms to undertake necessary processes to implement the standard effectively. Local jurisdictions that adopt ISAs into their national standards will also need time to conduct their due process and issue exposure drafts in their jurisdictions. Our view is that any implementation period that is less than eighteen months may not allow sufficient time for such jurisdictional processes and, consequently, may impact the adoption of the revised standard with a consistent effective date globally.

Considering the IAASB's planned timetable, if a final standard is expected to be approved in December 2024, we therefore believe that an appropriate effective date would be for financial reporting periods beginning on or after 15 December 2026.